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Modern Accountant

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Modern Accountant

DESIGNED FOR THE USE OF SCHOOLS
AND FOR PRIVATE STUDY

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PREFACE

THIS book is designed to set forth the principles and rules of accounting clearly and succinctly and to give sufficient exercise in applying these principles to fix them firmly in the mind of the pupil. The claim is made that these principles are introduced in an orderly manner and strictly in accordance with the rules of good pedagogy. But one new thing is ever introduced to the pupil at one time. Thus step by step the pupil advances by simple stages till he is in possession of all the principles. In carrying out this plan considerable use is made of exercises and bookkeeping problems. It is through these that a study is made of the individual account and of the relation of one account to another.

Probably the most important basic thing to be learned in bookkeeping is how to select debits and credits. For this purpose there is no more effective instrument than the Journal. But the Journal, being a mere means to an unseen end, soon becomes tiresome. That the pupil may see the object of journalizing, the form and use of each account is first studied before he is asked to make any entries of it in the Journal. In other words, first the account is studied, then the Journal as it effects that account is considered.

Among the auxiliary books none are simpler than the Sales Book, hence it is one of the first to be introduced. Then follow the Cash Book, Day Book, Bill Book, etc.

The most successful teachers in commercial schools no longer make use of the vouchers in the earlier portion of the course. It is found that the plan necessitates the introduction of too many things that are new at one time. The length of time the pupil should study the subject before the vouchers are introduced is a matter upon which teachers differ, but we suggest that when the pupil has covered the work in this book up to page 119, he is ready to undertake to use the vouchers of the transactions and to make his records from them. At this point, or at page 130, he may safely undertake Wholesale Accounting, a business practice set by the publishers of this work.

TO THE STUDENT

IN entering upon the study of Book-keeping you should realize that you are undertaking a study which may be of great value and importance to you through life. Although you may never use Book-keeping as a means of livelihood, yet the study of the science of accounts will call into exercise many qualities of mind which are very essential to success in life.

The first essential to a good book-keeper is ACCURACY. The slightest mistake or discrepancy must, sooner or later, be discovered and corrected, before the book-keeper can proceed. Great care and constant watchfulness are required, especially by beginners, to prevent troublesome errors. Every experienced book-keeper has learned that it is easier and far better to AVOID errors than to DETECT and CORRECT them.

Another very essential element in good book-keeping is NEATNESS. Good business men place great stress upon this, and insist that their books must be NEATLY as well as CORRECTLY kept. The writing in a set of books should be a fluent style, neat, plain and without shading, except in the case of ledger titles or other prominent words. The figures should be small, neat and plain, and the ruling should be done with care. All blots and erasures should be carefully avoided, and the books should present a generally neat and creditable appearance both inside and out.

Speed is an element valuable to every book-keeper, but by the beginner it should not be considered. Do not hurry. Haste will sooner or later cause error, and the error will cost you more than you have gained. Let your first aim be ACCURACY, your second NEATNESS, and only when these are attained can RAPIDITY be thought of. If it comes sooner it is a fault instead of a virtue.

There is nothing in business that pays better than SYSTEM, and it should be rigidly enforced at every step. Success in business life depends, largely, upon habits of order and attention to details, and the time spent by the book-keeper in a systematic arrangement of his work—having a place for everything—will return to him, saved fourfold, in convenience and facility. Learners are too apt to think that because no financial results depend upon the exercises in the text book, no importance should be attached to neatness and accuracy, and thus reasoning, they adopt slovenly habits, which may follow them through life.

Cultivate independence of thought. Call for aid from the teacher only when you have exhausted your own resources. Do not take things for granted, but investigate thoroughly. Do not wrong yourself by assuming to know that which you do not know, thus preventing instruction that would otherwise be of great value to you. And finally, no matter how smart you are, do not for a moment think that your native ability, however great, will compensate for the want of patient care and FAITHFUL WORK.

ABBREVIATIONS AND SIGNS

Account ..... *Acct. or a/c*
Against ..... *Vs.*
Agent ..... *Agt.*
Amount ..... *Amt.*

Bags ..... *bg.*
Balance ..... *Bal.*
Bales ..... *bl.*
Bank ..... *Bk.*
Barrel ..... *bbl.*
Bill Book ..... *B. B.*
Bought ..... *Bot.*
Boxes ..... *bx.*
Brought ..... *Brot.*
Bills Receivable ..... *Bills Rec.*
Bills Payable ..... *Bills Pay.*
By ..... *per*
Capital ..... *Cap.*
Cartage, Insurance and Freight ..... *C. I. F.*
Cash Book ..... *C. B.*
Collect on Delivery ..... *C. O. D.*
Company ..... *Co.*
Charged ..... *Chgd.*
Check ..... *Ck.*
Commission ..... *Com.*
Creditor ..... *Cr.*
Collection ..... *Col.*
Consignment ..... *Const.*
Day Book ..... *D. B.*
Deposit ..... *Dep.*
Draft ..... *Dft.*
Discount ..... *Dis.*
Ditto—the same ..... *do.*
Dozen ..... *doz.*
Debtor ..... *Dr.*
Drayage ..... *Dray.*
Errors and omissions excepted ..... *E. & O. E.*
Exchange ..... *Exch.*
Expense ..... *Exp.*
Folio ..... *Fol.*
Free on board ..... *F. O. B.*
Freight ..... *Frt.*
Forward ..... *Ford.*
Gallons ..... *gal.*
Hogsheads ..... *hhd*
Hundred ..... *Hund.*
Invoice Book ..... *I. B.*
Interest ..... *Int.*
Inventory ..... *Invt.*
Instant—the present month ..... *Inst.*
Insurance ..... Ins.

Journal ..... *Jour. or J.*
Journal Folio ..... *J. F.*

Letter Book ..... *L. B.*
Ledger Folio ..... *L. F.*

Merchandise ..... *Mdse.*
Memorandum ..... *Mem.*
Month ..... *mo.*

Number ..... *No.*
National ..... *Nat.*

One Thousand ..... *M.*

Profit and Loss ..... *P. & L.*
Page ..... *P.*
Payment ..... *Payt.*
Paid ..... *Pd.*
Pair ..... *pr.*
Package ..... *pkg.*
Pieces ..... *pc.*
Pounds ..... *lb.*
Premium ..... *Prem.*
Proximo—the next month ..... *Prox.*

Received ..... *Recd.*
Rail Road ..... *R. R.*

Sundries ..... *Sunds.*
Sales Book ..... *S. B.*
Shipment ..... *Shipt.*

Transaction ..... *Trans.*

Ultimo—the last month ..... *Ult.*

Way-Bill ..... *W. B.*
Week ..... *Wk.*
Weight ..... *Wt.*

Year ..... *yr.*
Yards ..... *yd.*

Dollars ..... $
Cents ..... *¢ or cts.*
Pound Sterling ..... £
At or to ..... @
Per or by ..... ℔
Per cent ..... %
Bill of Lading ..... B/L
Care of ..... C/O
Ditto—the same ..... "
Check mark ..... √
Four-quarters—one yard 4-4
Number or pounds ..... #
One and one-fourth ..... 1^1
One and two-fourths ..... 1^2
One and three-fourths ..... 1^3

MODERN ACCOUNTANT

EXERCISE I

ACCOUNTS WITH CASH AND MERCHANDISE

Cash is a term used in bookkeeping under which is recorded receipts and payments of money or the equivalent of money. Besides money itself, checks, money orders, etc., are entered as *Cash* items. In finding the amount of money or cash on hand at the end of a certain period, it is necessary to know the amount of cash on hand when the account was started, the amount received and the amount paid out. The balance at beginning, plus the receipts and less the payments, equals the new balance.

The following items represent receipts and payments of Cash:

EXAMPLE 1.—Jan. 1, 19—, Received Cash $160. Jan. 2, Paid Cash $80.45. Jan. 4, Paid Cash $25.43. Jan. 5, Received Cash $40.60. Jan. 6, Received $128.30. Jan. 7, Paid $142.30. Jan. 10, Received $76.20. Jan. 11, Paid $26.10. Jan. 16, Paid $65. Find the balance on hand Jan. 16.

Trace these transactions through the following form:

Cash

(Receipts)			(Payments)		
Jan. 1		160	Jan. 2		80 45
5		40 60	4		25 43
6		128 30	7		142 30
10		76 20	11		26 10
			16		65
			16	Balance	✓ 65 82
		405 10			405 10
Jan. 16 Balance	✓	65 82			

The above is an account with "Cash." An account may have a single debit or a single credit, or it may have several of either or both.

ORDER OF CLOSING AN ACCOUNT

1. Add each column, putting totals in small pencil figures.
2. Find the difference between the two columns.
3. Enter the difference on the smaller side in red ink, using the word "Balance" in the wide column.
4. Rule up the account.
5. Enter the totals on the same line, both being the same amount.
6. Bring down the balance on the opposite side in black ink as shown.

QUESTIONS

1. How much Cash was received?
2. How much Cash was paid out?
3. What is the Cash balance and how is it found?
4. Which side can not be the greater? Why?
5. How would you prove that your Cash account is correct?

The above form, showing the receipts, the payments and the balance of Cash, is known as a *Ledger* form. As given, it is sometimes called a *Skeleton Ledger* form, as the wide vertical spaces are not used. The record of Cash is known as an *account* or *account with cash*.

To the Student: Read the matter introductory to this exercise; also study the forms given; then write up Examples 1 and 2 relating to Cash, 3, 4 and 5 relating to Merchandise, and 6 relating to both. The first exercise will be written at the top of exercise paper. Rule this up properly, skip three spaces and copy the next exercise. If an exercise can not all be placed on the balance of a page, start the exercise at the top of the next page.

EXAMPLE 2.—April 1, 19—, Cash on hand, $298. April 3, Paid for insurance, $96.75; paid for special assessment, $124.36. April 5, Received for sale of horse, $145. April 6, Paid notary fee, $1.85. April 7, Paid for groceries, $34.63. April 8, Paid butcher's bill, $24.61. April 9, Received from Brown & Co. on account, $36.50. April 10, Paid freight on merchandise, $14.62. April 11, Paid for harness, $36. April 12, Received Cash for interest due, $21.16. April 13, Paid O. E. Grant on account, $17.25. April 14, Paid for painting house, $75. April 16, Paid to charity fund, $20. April 18, Paid for clerk hire one week, $12.50. April 20, Collected Cash for rent due on house one month, $60. April 21, the Cash balance is $***.*9. April 21, Close the account.

Merchandise is the title of an account in bookkeeping under which is recorded the cost and sales of goods, the cost being the sum paid for what we receive, and the sales the sum received for what is sold.

The following items represent purchases and sales of Merchandise:

EXAMPLE 3.—May 1, 19—, Bought Mdse., $720. May 2, Bought Mdse., $420. May 3, Bought Mdse., $560. May 5, Sold Mdse., $480. May 6, Sold Mdse., $520. May 8, Sold Mdse., $140. May 9, Bought Mdse., $300. May 10, Sold Mdse., $750. May 15, Sold balance Mdse., $640. Find the loss or gain.

Trace the above transactions through the following Ledger form:

(Cost) **MERCHANDISE** (Produced)

19—					19—				
May	1			720	May	5			480
	2			420		6			520
	3			560		8			140
	9			300		10			750
				2000		15			640
	30	Loss & Gain,		530					2530
				2530					2530

EXPLANATION.—Enter the bought amounts on the left side (Dr.) and the sales amounts on the right side (Cr.). All the Mdse. being sold, the difference is the loss or gain. In this case it is a gain, as the selling price is greater than the buying or cost price.

QUESTIONS

1. What sum did the Mdse. cost?
2. What sum did the sales produce?
3. What is the loss or gain? How found?
4. What is the result if the credit side is the greater? Why?
5. What is the result if the debit side is the greater? Why?
6. What is the loss or gain per cent?

EXAMPLE 4.—May 1, 19—, Bought Mdse. for Cash, $1250. May 2, Paid Cash for freight on same, $75.60. May 2, Paid Cash for drayage on same, $16.50. May 5, Sold Mdse. for Cash, $254.60. May 6, Sold Mdse. on account, $63.80. May 7, Paid Cash for insurance on Mdse., $36. May 9, Bought Mdse. for Cash, $120. May 10, Sold Mdse. for 30 day note, $524. May 15, Sold all Mdse. on hand for Cash, $225. Find the gain or loss.

EXAMPLE 5.—May 1, 19—, Mdse. inventory on hand, $1275. May 2, Bought of A. B. Smith on account, $1324.50. May 3, Sold O. E. Grant Mdse. on account, $524.75. May 3, Sold M. Patzke Mdse. for Cash, $196.50. May 5, Sold P. Swift Mdse. on note, $243.60. May 6, Sold W. Marx Mdse. for Cash, $245. May 15, Paid Cash for freight on Mdse., $126.50. May 16, Sold M. Brummels Mdse. on account, $1405. On May 24 the goods on hand were listed at cost price, and amount to $1200. Find the loss or gain.

Trace the above transactions through the following account:

MERCHANDISE

19—						19—					
May	1			1275		May	3			524	75
	2			1324	50		3			196	50
	15			126	50		5			243	60
				2726			6			245	
	24	Loss & Gain,		1088	85		16			1405	
										2614	35
							24	Balance Invty.,	✓	1200	
				3814	85					3814	85
May	25	Balance Invty.,	✓	1200							

EXPLANATION.—When the amount of loss or gain is to be found before all the goods have been sold, it becomes necessary to find the value of the unsold Merchandise. This is called "taking stock." The amount is entered on the right-hand side (Cr.) as inventory. This counts the unsold goods as sold at cost price, and then the difference between the two sides is the loss or gain; in this case it is a gain because the sales side (Cr.) is greater than the cost side (Dr.).

QUESTIONS

1. What was the cost of Mdse.?
2. What was the sales of Mdse.?
3. What was the cost of the Mdse. sold?
4. Find the loss or gain per cent.
5. How do you open an account?
6. What must an account contain?

Now open two accounts, heading one "Cash" and one "Merchandise," and enter each of the following transactions under the proper heading:

EXAMPLE 6.—May 1, 19—, O. E. Grant begins the grocery business with a Cash capital of $5000. May 1, Bought of W. J. Durand & Co., for Cash, a stock of groceries amounting to $1260. May 1, Bought of A. B. Jones & Co. on account, groceries, $1450.75. May 2, Sold W. Marx groceries for Cash, $564.50. May 3, Sold M. Vickery, for note, $276.80. May 4, Paid Cash for insurance on groceries, $56. May 5, Sold A. H. Hopkins groceries for Cash, $545.90. May 6, Sold O. F. Hinz groceries on account, $324. May 7, Bought of W. J. Durand & Co. groceries for note, $725. May 9, Paid Cash for freight on same, $63.75. May 9, Sold W. Henry groceries for Cash, $853.62. May 10, Sold R. E. Jones groceries on account, $127.80. May 12, Sold M. Kimmer groceries for Cash, $960.40. May 15, The value of unsold groceries is $1450. Close the two accounts as previously; the Cash balance is $****.67, the loss and gain on Merchandise is $****.52.

To the Student: When your work has been approved, you will copy it in your Exercise Book, always following the previous lesson, observing care and neatness in all your work. These forms are called Ledger forms. Now have your Exercise Book approved.

By referring to these exercises that you have finished, you will find that receipts are entered on the left-hand side, and things disposed of are entered on the right-hand side. Custom has established the rule that those items entered on the left-hand side are to be called debits and that those items entered on the right-hand side are to be called credits. Hence the following rule: *Debit what you receive; credit what you dispose of.*

JOURNALIZING

EXERCISE II

A **Business Transaction** is an exchange of one commodity or service for another. In this exchange it must be kept in mind that something of value is received and that something of value is given out. The ratio of exchange is one. Bookkeeping has to deal with the recording of these equalities. The thing received is designated as a debit item and the thing disposed of is designated as a credit item.

Journalizing consists in determining the debits and credits in a transaction, and arranging these in convenient form for transferring to the Ledger.

In every correct Journal entry the *total debits* must equal the *total credits.*

There are *four forms* in which Journal entries may be made:

1. Where there is but *one debit* and *one credit.*
2. Where there are *several debits* and but *one credit.*
3. Where there is but *one debit* and *several credits.*
4. Where there are *several debits* and *several credits.*

In order to determine the debits and credits in any business transaction, we have the following:

GENERAL RULE

Debit what you receive, *or what costs value;* ***Credit what you dispose of,*** *or what produces value.*

FORM OF JOURNAL

Year Month	Day	Names of Dr. items or Debit Position	Names of Cr. items or Credit Position	Dr. Column	Cr. Column

Parts. By inspecting the above form it will be seen that a Journal entry consists of five parts: 1st, date, being the year, month and day; 2d, names of debit items; 3d, names of credit items; 4th, amount of debit items; 5th, amount of credit items.

Position. The names of Dr. items are placed next to the date column, and this is called the *Debit Position.* The names of the Cr. items are placed farther to the right and below the Dr. items, and this is called the *Credit Position.* Thus it may readily be determined whether an item is a debit or credit by the position which the name occupies. The amounts of the Dr. items are placed in the first, or *Dr. column.* The amounts of the Cr. items are placed in the second, or *Cr. column.*

A business transaction has been defined as an exchange of values. In every exchange something is received, or has cost value; and something is given, or has produced value. The thing received is Dr. and the thing given is Cr. Therefore,

In Journalizing, ask yourself the question, 1st, "What did I receive?" or "What cost value?" and place the name of the item or items received in the *Debit Position* as shown above and the amount in the Dr. column; then, 2d, "What did I dispose of?" or "What produced value?" and place the name of such item or items in the *Credit Position* and the amount or amounts in the Cr. column.

To the Student: Before attempting to write up the Journal for the transactions on this and the following pages, the student should examine carefully the written form on the following page. Neatness and taste in penmanship, ruling and figures, together with correct forms, are highly important in bookkeeping. Study the written forms carefully for style of penmanship. Notice that the letters are compact and are devoid of all unnecessary lines.

Leave a vacant line between entries for ruling. Begin with the first transaction and arrange the debits and credits as per following form, which is known as a *Journal*, and the work of recording transactions in it as *Journalizing.*

Jan. 1, 19—. Bought of John Brown for cash, 10 bbl. Beef at $10, $100.

Beef, flour, pork, etc., are entered as Mdse. We bought Mdse. We received it. It cost value. Mdse. is therefore debited, and must be entered as a Dr. item. See form following. We have paid out Cash. It has produced us value. Cash is therefore credited, and must be entered as a Cr. item. See form following.

Jan. 2. Sold Amos Smith for cash, 6 bbl. Beef at $11, $66.

Sold for Cash. Cash is received, therefore Cash is debited. Mdse. is disposed of, therefore Mdse. is credited. See form.

Jan. 3. Bought of James Roney for cash, 10 bbl. Flour at $10, $100; 50 bbl. Pork at $8, $400. Total $500.

Mdse. is debited because we received it. (Enter the total $500 as one amount.) Cash is credited because we disposed of it.

Jan. 4. Bought of C. E. Brown for cash, a House and Lot on Park avenue for $2500.

Houses and lands are entered as Real Estate. Since Real Estate is bought or received, it will be debited, and since Cash is disposed of it will be credited.

Jan. 5. Sold to William Allen for cash, 10 bbl. Beef at $10, $100; 5 bbl. Flour at $6, $30. Total $130.

Cash is debited. Why?

Jan. 7. Bought of D. R. Smith for cash, a Farm in Henry County for $4000.
Cash is credited. Why?

Jan. 8. Sold to Martin Beem for cash, 4 bbl. Beef at $10, $40.

19—						
Jan.	1	Mdse.	Cash	100		100
	2	Cash	Mdse.	66		66
	3	Mdse.	Cash	500		500
	4	Real Estate	Cash	2500		2500
	5	Cash	Mdse.	130		130
	7	Real Estate	Cash	4000		4000

Jan. 9. Bought of Henry Seymour for cash, 10 shares Union Bank Stock at $100, $1000.

Union Bank Stock Dr.

Jan. 10. Sold to W. D. Ward, a House and Lot on Park avenue. Received in payment 200 bbl. Flour at $10, $2000; 80 bbl. Pork at $8, $640. Total $2640.

Jan. 12. Bought of G. P. Frost for cash, 3 bbl. Kerosene at $5, $15; 4 bbl. Lard Oil at $10, $40. Total $55.

Jan. 13. Sold to W. H. Strong, 100 bbl. Flour at $9, $900; 50 bbl. Pork at $8, $400. Total $1300. Received in payment 13 shares C. B. & Q. R. R. Stock at $100, $1300.

C. B. & Q. R. R. Stock Dr.

Jan. 13. Bought of C. M. Miller, a House and Lot in Alton for $4100. Gave in payment for the same the Farm purchased of D. R. Smith, $4100.

Jan. 14. Sold C. L. Wilson, 20 bbl. Pork at $10, $200; 2 bbl. Flour at $7, $14. Total $214. Received in payment 2 hhd. Sugar at $80, $160; 27 boxes Boston Crackers at $2, $54. Total $214.

Jan. 16. Bought for cash of Western Nail Co., 10 kegs Flooring Brads at $4, $40.

Jan. 17. Sold Thomas Hamer 5 shares Union Bank Stock at $100, $500. Received in payment 5 cases Gingham, 5000 yd., at 10¢, $500.

Jan. 18. Bought of H. C. Dean for cash, Steamer Ivanhoe, valued at $12000.

Steamer Ivanhoe Dr.

Jan. 20. Sold to W. D. Waller, 3 hhd. Sugar at $60, $180; 10 boxes Boston Crackers at $2.25, $22.50; 1 bbl. Flour at $10.25. Total $212.75. Received in payment cash.

Jan. 21. Sold to Henry Sherman, 2 sacks Rio Coffee at $20, $40; 20 bbl. Pork at $10.25, $205. Total $245. Received in payment 80 bbl. N. Y. Salt at $2.50, $200; 150 lb Butter at 30¢, $45. Total $245.

Jan. 22. Sold for cash to R. Garvin, 20 boxes Boston Crackers at $2.25, $45; 20 bbl. N. Y. Salt at $3, $60; 75 lb Butter at 35¢, $26.25. Total $131.25.

To the Student: When you have journalized all of the transactions for the month of January, present your work to the teacher for inspection and approval. In ruling up a Journal, the red line should be drawn on the blue line. When correct, copy the same into your Journal, and rule a line between the entries.

Keep your work neat and clean, without a soil or blot. Do not attempt any flourishes or ornamentation in your writing; likewise avoid heavy shading. In writing figures aim at plainness, and acquire the habit of always placing units of any order directly under those of the same order.

EXERCISE III

ACCOUNTS WITH BILLS RECEIVABLE AND BILLS PAYABLE

Purchases and sales of merchandise are not always made for cash. Frequently the buyer may desire time, and gives in payment a written promise to pay the sum at a later date. These written promises are called *Notes*. Those that we sign and issue are called *Bills Payable* both when we issue them and when we pay them and receive them back for cancellation. Those that we receive from other persons properly signed and issued are called *Bills Receivable* both when we receive them and when we dispose of them.

Example 1.—Feb. 1, 19—, Received A. B. Jones' note for $960. Feb. 2, Received J. B. Brown's note for $475.65. Feb. 5, John Doe sends us his note on account for $562. Feb. 7, Sold A. B. Jones note for $960. Feb. 8, Bought two notes of Smith & Co., one for $550 and one for $370. Feb. 10, The first note bought of Smith & Co. is now due and is paid by the maker. Feb. 12, J. B. Brown paid $275.65 on his note of the 2d inst. Feb. 15, What is the balance of Bills Receivable account?

Trace the above items through the following form:

BILLS RECEIVABLE

19—						19—					
Feb.	1	*When received,* -		960		Feb.	7	*When disposed of,*		960	
	2			475	65		10			550	
	5			562			12			275	65
	8			550						1785	65
	8			370			15	Balance, - -	√	1132	
				2917	65						
				2917	65					2917	65
Feb.	15	Balance, - -	√	1132							

The above form represents a Bills Receivable account.

Explanation.—As the notes are received they are entered at their face value on the left-hand side (Dr. side), and as they are disposed of they are entered for the

face value on the right-hand side (Cr. side). The *balance* is the difference between the two sides and represents the face value of other persons' notes in our possession. The credit side can never be greater than the debit side.

Writing the heading of an account, as "Bills Receivable" in Example 1, is called opening an account.

QUESTIONS

1. What was the total amount of notes received?
2. What was the total amount of notes disposed of?
3. Which side can not be greater than the other? Why?

Open an account with Bills Receivable on your exercise paper. Then enter a record of the following example in this account.

EXAMPLE 2.—Feb. 1, 19—, Have on hand several notes amounting to $3124.64. Feb. 2, Bought Brown's note for $550. Feb. 3, Sold Field & Co. Mdse. for note, $750. Feb. 4, J. S. Simms sent his note on account, $560.50. Feb. 5, Received cash for one of the notes held at first, $124.64. Feb. 7, Sold a house and lot for 30 day note, $3000. Feb. 9, Sold 200 bu. of wheat at $0.75 per bu. for note, $150. Feb. 11, Simms pays cash, $260.50 on his note of the 4th inst. Feb. 14, Sold horse and wagon for 10 day note, amounting to $375. Feb. 15, Collected cash for several notes now due, $2500. Feb. 16, Balance and rule up the account.

BILLS PAYABLE

19—				19—			
Feb.	3	*When paid,* -	475	Feb.	1	*When issued,* -	475
	14		300		2		900
	18		800		4		300
			1575		15		2500
	20	Balance, - -	2625		16		25
							4200
			4200				4200
				Feb.	20	Balance, - -	√ 2625

EXPLANATION.—When our notes are issued they are entered for the face value on the Cr. side; and when they are redeemed they are entered for the face value on the Dr. side, the *balance* being the amount we owe on our personal promise to pay. The debit side can never be greater than the credit side.

Trace the items of the following example and see how they are entered in the above form:

EXAMPLE 3.—Feb. 1, 19—, Gave my note for bill of goods, $475. Feb. 2, Borrowed at bank $900, for which I gave my note. Feb. 3, Paid cash for my note of the 1st inst., $475. Feb. 4, Bought a horse and wagon for $300, giving my note at 10 days for same. Feb. 14, Paid cash for my note of the 4th inst. Feb. 15, bought house and lot for $2500; gave my note at 3 mos. in payment. Feb. 16, Gave my note at 10 days for insurance on house, $25. Feb. 18, Paid cash on my note of the 15th inst., $800. Find the balance of notes outstanding Feb. 20.

The account for the following example is to be headed "Bills Payable."

EXAMPLE 4.—Feb. 10, 19—, Gave my note for $328.60, also gave my note to another party for $178.75. Feb. 11, Gave my note to J. B. Smith for $298.50. Feb. 12, Paid my note for $178.75. Feb. 13, Gave my note to M. L. Walker for $105. Feb. 14, Paid my note favor J. B. Smith for $298.50. Feb. 15, Gave my note to A. E. Baker for $252.05. Feb. 16, Redeemed my note given on 10th inst. for $328.60. Feb. 17, Gave my note to J. B. Show for $51.55. Feb. 18, Redeemed my note favor of M. L. Walker for $105. Find the balance of notes outstanding and balance, foot and rule up the account.

QUESTIONS

1. What is a Bill Payable?
2. What was the total amount of notes issued?
3. What was the total amount redeemed?
4. Which side can not be greater than the other side?

EXERCISE IV

JOURNALIZING BILLS RECEIVABLE AND BILLS PAYABLE

To the Student: Read the following information relating to notes. You are then ready to journalize the transactions for the month of February. Three transactions are given as models.

PROMISSORY NOTES

A **Promissory Note** is a written promise to pay a certain sum of money at a specified time or on demand.

Promissory notes are very extensively used in business, and serve as a great convenience in transferring indebtedness from one person to another. Thus, suppose Brown owes Smith $500. If the debt is represented by Brown's promissory note, Smith can readily sell the paper, or discount it at his bank, and realize its value, without waiting until it falls due.

The **Parties** to a promissory note are the *maker*, the *payee* and, in some cases, the *indorser*.

The **Maker** of a note is the person who signs it, and is obligated to pay it when due.

FORM OF PROMISSORY NOTE

$200.00 Chicago, Ill., Sept. 2, 19—.

Ninety days after date I promise to pay Samuel Stewart ——— or order Two Hundred 00/100 ——— Dollars Payable at Bankers National Bank. Value received with interest at 6% per annum.

No. 7. Due Dec. 1, 19—. Geo. R. Davis.

The **Payee** is the person to whom the note is made payable.

An **Indorsement** is any writing (usually the name) upon the back of commercial paper, either for the purpose of guaranteeing its payment or transferring its title

The person who writes his name upon the back of the paper is called an *indorser*, and the one to whom the paper is transferred is called an *indorsee*.

The **Face** of a note is the amount named in the note. Thus the face of the note shown on the preceding page is $200.

Notes are made to fall due a certain number of days after date, or "On demand" or "On or before" a certain date.

Days of Grace are three days allowed for the payment of notes after they become due. When the last day of grace falls upon Sunday or a legal holiday the paper matures on the day previous. Days of Grace are not considered in the text, as they have been abolished in a majority of the states. When Days of Grace are not allowed a paper falling due on Sunday or a holiday is due the following day.

The **Maturity** of a note is the last day of grace, or the final day of payment.

Accommodation Paper is one that is given to aid a person in borrowing money. Thus A and B exchange notes. A can then sell or discount B's note when he could not do so with a note bearing his name alone. Likewise B could use the note received from A. The person who receives an accommodation paper and uses it, is expected to pay it at maturity, although if he does not pay it, the person who accommodated him with his signature will have to pay it.

Other Persons' Notes or written promises to pay are called *Bills Receivable*. They are so called because we will *receive* the amount named at maturity.

Our Notes or written promises to pay are called *Bills Payable*. They are so called because we must *pay* the amount named at maturity.

The student must learn to distinguish clearly between Bills *Receivable* and Bills *Payable*. This may be done by carefully studying the above definitions.

TRANSACTIONS TO BE JOURNALIZED

RULE II.—*When you receive another person's note, you should Dr.* ***Bills Receivable;*** *and when you dispose of that note Cr.* ***Bills Receivable.***

RULE III.—*When you issue your note you should Cr.* ***Bills Payable,*** *and when you redeem it Dr.* ***Bills Payable.***

Feb. 1, 19—. Sold Stephen Johnson on his note, 10 bbl. Sugar at $8, $80.

We have received a Bill Receivable, hence Bills Rec. is Dr. Mdse. is credited as in the previous exercise.

19—					
Feb.	1	Bills Rec.,	80		
		Mdse.,			80
	8	Mdse.,	60		
		Bills Pay.,			60
	11	Bills Pay.,	60		
		Cash,			60

Feb. 2. Bought of H. Seymour for cash, 15 bbl. Pork at $12, $180; 300 bu. Corn at 40¢, $120. Total $300.

Feb. 3. Sold to Joseph Burton for cash, Stephen Johnson's note, $80.

Feb. 5. Sold to S. E. Cooper on his note, 10 bbl. Pork at $12.50, $500.

Feb. 6. Bought of W. K. Nathan, 387 bu. Corn at 20¢, $77.40; 500 bu. Oats at 40¢, $200; 200 bu. Wheat at $1, $200; 226 bu. Rye at 10¢, $22.60. Total $500. Gave in payment S. E. Cooper's note, which I received on the 5th instant, $500.

Feb. 7. Bought for cash of H. W. Seymour, 20 bbl. Flour at $8, $160.

Feb. 8. Bought of J. Harrigan on my note, 20 pieces Merrimac Prints at $3, $60.

We have issued our Note, which is Bills Payable, hence Bills Pay. is Cr. Mdse. is debited as in the previous exercise.

Feb. 10. Borrowed cash of J. Steward on my note, $375.

Feb. 11. Paid cash for my note, favor of J. Harrigan, $60.

Feb. 12. Bought of Thomas King on my note, 15 boxes Cigars at $10, $150; 10 sacks Coffee at $5, $50; 6 boxes Crackers at $2, $12; 9 boxes Toilet Soap at $2, $18. Total $230.

Feb. 13. Bought of Charles Humes, House and Lot, No. 195 Dearborn avenue, for $4000. Gave in payment my notes as follows: One note due 6 months from date for $1400, one due 8 months from date $1400, and one due 12 months from date for $1200. Total $4000.

Feb. 15. Sold to Henry A. Wise on his note at 60 days, 50 bu. Corn at 40¢, $20; 7 boxes Cigars at $10, $70; 4 boxes Toilet Soap at $2.50, $10. Total $100.

Feb. 16. Exchanged notes with Warren Spencer for our mutual accommodation, each made for $600.

Feb. 17. Sold Charles Fox, 25 bbl. Pork at $8, $200. Received in payment his note, $200.

Feb. 18. Paid cash for my note due in 6 months for $1400.

Feb. 19. Bought of W. Gordon, 6 shares Railroad Stock at $100, $600. Gave in payment Warren Spencer's note, $600.

Feb. 20. Bought of Strong & Co. on my note, 50 kegs Nails at $4, $200; 3 doz. Saws at $25, $75; 6 doz. hinges at $6, $36. Total $311.

Feb. 23. Received cash of Charles Fox, in payment of his note of the 17th instant, $200.

Feb. 24. Paid cash for my note, due 8 months from date, favor of Charles Humes for $1400.

Feb. 26. Sold to Geo. Walker, 4 shares Railroad Stock at $100, $400. Received in payment Samuel Boyd's note indorsed by Geo. Walker for $400.

Write the promissory note mentioned in Feb. 15 with 6% interest. In the absence of printed forms, write the note upon a neatly cut slip of paper about 3½x8 inches in size. After writing in the name of the payee, amount, etc., fill the remaining space with a ruled line, in order that no room may be left wherein words, letters or figures may be afterwards inserted, thus changing or "raising" the note.

To the Student: Present for approval the Journal entries for the above transactions and the promissory note called for. Properly rule the Journal. When approved, copy in permanent Journal.

EXERCISE V

ACCOUNTS WITH BILLS RECEIVABLE AND BILLS PAYABLE

To the Student: In the first example you will open two accounts; in the second example there are three accounts required. The number following the title of the account, as 11 in "Bills Receivable," represents the number of spaces (lines) that should be reserved for the debit and credit items. Always follow instructions given in Exercise I as to balancing and ruling up an account.

Open accounts with the following: Bills Receivable, 11 lines; Bills Payable, 10 lines. Write up transactions in Ledger form for:

EXAMPLE 1.—On Jan. 1, 19—, a firm's Bills Receivable and Bills Payable accounts are as follows: Bills Receivable on hand amount to $6400.75. Bills Payable outstanding amount to $3640.75. Jan. 4, They received A. B. Jones' note for $850. Jan. 5, Sold Mdse. to W. Marx for note at 3 days, $546.75. Jan. 6, Bought of Wilson & Co. Mdse. for note, $1160.80. Jan. 8, Marx paid his note of the 5th inst. Jan. 9, Sold A. N. Palmer, House and Lot for $5200, received in payment two notes, one for $3200 and one for $2000. Jan. 10, Paid one of our notes amounting to $640.75. Jan. 11, Sold Mdse. to Durand & Co. for note, $985.50. Jan. 12, Received payment for note held by us, $2400.75. Jan. 15, Paid our note favor Wilson & Co., $1160.80. Jan. 16, Palmer paid his second note in full. Jan. 20, Bought Mdse. of Field & Co. for note, $1260.80. Jan. 25, Paid balance of first notes outstanding amounting to $3000. Jan. 26, Bought real estate of Brown Bros. for our note, $4000. Jan. 28, Sold E. L. Coe Mdse. for his note, $890.60. Jan. 29, Sold to bank for cash, $850, Jones' note received on the 4th inst. Jan. 30, Paid our note favor Field & Co., dated 20th inst., also our note for real estate given on the 26th inst. Our Bills Payable account now balances. What is the balance of the Bills Receivable account?

Open the following accounts: Bills Receivable, 10; Bills Payable, 8, and Cash, 10. Do not abbreviate the heading of an account. Enter the following transactions under the proper heading. You will observe that when you enter an item on the debit side of an account, you also enter an equal amount on the credit side of some other account. This is called double entry in bookkeeping.

EXAMPLE 2.—Feb. 19, 19—, Borrowed from J. C. Briggs $500 cash, and for it I have given my note for the same sum. (Dr. "Cash" and Cr. "Bills Pay.") Feb. 20, Loaned J. A. Stephens $150 cash, receiving his note for same. (Dr. "Bills Rec." and Cr. "Cash.") Feb. 21, Gave Chas. Wise my note for $156.50 and took his note for a like sum. Feb. 22, Paid J. C. Briggs $200 cash on my note of the 19th inst. Feb. 23, Loaned T. R. Wheeler $46.50 on his note; also loaned M. R. Knapp $54.75 on his note. Feb. 24, J. A. Stephens has paid his note of the 20th inst. in cash. Feb. 25, Loaned E. M. Lamson $26.50, for which I have taken his note. Feb. 26, Borrowed $84.25 cash from Chas. Taylor and gave my note for the same. Feb. 27, Received $46.50 from T. R. Wheeler for the note he owes us; also received $54.75 from M. R. Knapp for the note he owes. The balances are as follows: Bills Receivable, $**3; Bills Payable, $***.75; Cash, $***.75. Enter these balances and rule up the accounts.

QUERY.—The balance of Bills Receivable plus the balance of cash equals the balance of Bills Payable. Why?

To the Student: Present these exercises properly ruled up for inspection. When approved, they are to be copied in your permanent Exercise Book.

QUESTIONS

1. How do you open an account?
2. What is an account?
3. What does an account with cash show?
4. What does an account with merchandise show?

EXERCISE VI

JOURNALIZING SUNDRY ITEMS

To the Student: Write up the Journal for the following transactions:

An **Item** in bookkeeping is any distinct or separate portion of an entry.

Sundries is a term used to signify *several items*, either debits or credits.

The student will have occasion to become better acquainted with the use of the word Sundries further on in his work, when posting to the Ledger. The term is omitted here for the sake of simplicity, and also because its use in the Journal has been discarded by a large proportion of good bookkeepers.

RULE IV.—*Whenever you receive or pay out more than one thing, as Cash, Mdse., etc., write first the debit item or items one under the other, then write the credit item or items in the same manner.*

March 1, 19—. Sold John Smith, 100 bbl. Flour at $7, $700. Received in payment, cash, $600; his note at 30 days for balance, $100.

According to the above rule, this entry, when made, will appear as follows:

Mar.	1	Cash,	600		
		Bills Rec.,	100		
		Mdse.,			700

March 2. Sold John Smith's note for $100. Received in payment cash, $25; merchandise amounting to $75. Total $100.

March 3. Sold William Anderson 20 bbl. Sugar at $18, $360. Received in payment his note for $200; cash for balance, $160.

March 4. Bought of Henry Turner, 20 bbl. Flour at $8, $160. Paid him cash, $60; my note at 60 days for $100. Total $160.

The above entry will be made as follows:

Mar.	4	Mdse.,	160		
		Cash,			60
		Bills Pay.,			100

March 4. Bought of James Dennis, 5 shares Bank Stock at $200, $1000. Paid him note at 90 days for $200; 1000 bu. Wheat at 60¢, $600; cash for balance, $200.

March 5. Sold T. R. Camp, 2 shares Bank Stock at $200, $400; 20 bbl. Flour at $10, $200. Total $600. Received in payment cash in full, $600.

March 6. Bought of C. W. Coleman, 200 bu. Corn at 40¢, $80; 5 shares Railroad Stock at $120, $600. Total $680. Paid for same my note at 30 days, drawing 7% interest.

March 7. Paid Henry Turner for my note of the 4th inst., $100. Cash, $50; 10 bbl. Pork at $5, $50. Total $100.

March 9. Sold R. Brandon, 50 bbl. Flour at $5, $250; 1 share Bank Stock, $200. Total $450. Received in payment 10 bbl. Pork at $10, $100; his note at 30 days for $200; cash for balance, $150. Total $450.

Mar.	9	Mdse.,	100			
		Bills Rec.,	200			
		Cash,	150			
		Mdse.,			250	
		Bank Stock,			200	

March 10. Bought of C. O. Godfrey, House and Lot for $1200; 50 bbl. Fish at $7, $350. Total $1550. Paid him 2 shares Bank Stock at $200, $400; 50 bbl. Pork at $10, $500; R. Brandon's note for $200; my note for $200; cash for balance, $250.

March 15. Sold House and Lot purchased on the 10th inst. for $1500. Received in payment Stock of goods for $1200; James Andrew's note for balance, $300.

March 18. Paid my note, favor of C. O. Godfrey, for $200. Gave 100 bu. Corn at 60¢, $60; cash for balance, $140.

March 20. Loaned James Hunter cash on his note, $800.

March 25. Sold Thomas Kennedy on his note, 300 bu. Corn at 50¢, $150; 200 bu. Wheat at $1.25, $250; 40 bbl. Pork at $10, $400; 300 bbl. N. Y. Salt at $2, $600. Total $1400.

March 26. Received cash of Thomas Kennedy for his note of the 25th inst., $1400.

March 27. Sold to Amos Duncan 500 bbl. Flour at $6, $3000; 20 shares Union Bank Stock at $100, $2000. Total $5000. Received in payment cash, $1000; James Anderson's note for $2000; his note at 90 days for balance, $2000.

Write the promissory note in March 6, making it payable at Union National Bank.

To the Student: Present your work properly ruled for approval.

EXERCISE VII

ACCOUNTS WITH PERSONS

To the Student: Read over the introductory matter and write up the Examples given, viz.: 1, 2, 3 and 4.

Personal Accounts are those which are opened with persons, firms or corporations. The object of personal accounts is to show what we owe others and what they owe us.

"On account" signifies the same as *on credit*, and means that the transaction is evidenced by an entry upon the books, and not by a note or other written agreement.

A Bill is a written statement of goods sold or services rendered, showing the amount and price of each article, terms of sale, etc. A Bill is "receipted" by writing the words "Received payment," the date and the seller's name at the bottom. A part may be credited upon the bill by writing the words "Cr. by Cash $....." or "Cr. by Note 30 days $....."

If Brown should come into your store, buy a bill of goods, and not pay for them, you would, of course, debit or charge him on your books. Later, if he should call and pay you, you would credit him. If you should go into Brown's store and buy goods on account, you should credit Brown on your books, for you owe him; he is your creditor and you are his debtor. If you should now pay him, you should debit him, for you have gone out of his debt.

Let us apply these principles to the following exercises:

Dealings with Edgar Hart, Hammond, Ind.:

EXAMPLE 1.—April 1, 19—, Sold him a bill of groceries amounting to $24.60. April 2, Sold him kerosene $0.50. April 5, He paid me on account $7.50. April 8, He worked for me one week for $3.50. April 12, Sold him 20 gal. vinegar for $4. April 15, Loaned him horse and wagon for one week for $7. April 18, He paid me on account $6.50. April 20, Sold him groceries amounting to $8.40. April 25, He paid me on account $20. How does our account with him stand on April 30?

Trace the above transactions through the following form:

EDGAR HART — Hammond, Ind.

19—						19—					
April	1	*He owes us,* -		24	60	April	5	*We owe him,* -		7	50
	2				50		8			3	50
	12			4			18			6	50
	15			7			25			20	
	20			8	40		30	Balance, - *	✓	37	50
				44	50						
				44	50					44	50
May	1	Balance, - -	✓	7				* Red Ink Entry.			

EXPLANATION.—Enter what he owes us on the debit side (Dr.), that is, charge him, and enter what he gives us on the credit side (Cr.). The difference is the balance and in this case shows that Edgar Hart owes us $7.

Dealings with James Brown, Clinton, Iowa:

EXAMPLE 2.—April 1, 19—, I bought of him on account, a bill of merchandise amounting to $1334.50. April 8, I paid him cash on account, $500. April 15, Bought of him Mdse. on account, $745.75. April 17, Paid him cash on account, $500. April 19, Returned to him unsatisfactory Mdse. bought on the 15th, $145.75. April 21, Bought Mdse., 10 days, $375.60. April 27, Paid him cash on account, $300. April 30, The balance due James Brown is $****.10. Close the account.

Dealings with J. S. Gridley, Aptakisic, N. Y., farmer, are as follows:

EXAMPLE 3.—On April 1, 19—, He owes me a balance of $34.75; on the same day he pays us on account $10. April 2, We buy of him 56 lb of butter at 16¢ per lb. April 5, He buys of us 14 lb cheese at 18¢ per lb; 24 lb sugar at 4½¢ per lb; 3 lb tea at 62½¢ per lb; 4 lb coffee at 18¾¢ per lb. April 10, He paid us cash $8.40. April 15, We gave him an order on a city merchant for $26. April 15, He sold us 2 quarters of beef, total weight 198 lb, at 6¼¢ per lb. April 20, We sold him 7 milk cans at $7 each. April 30, He settles his account by paying us cash in full of account. Total and rule up the account.

Dealings with Oliver Wilson and William Johnson, both of Avon, Ill.

Keep an account with each party. Wilson's account will require 12 lines, and Johnson's 11 lines.

EXAMPLE 4.—Aug. 1, 19—, Sold Wilson 2 tons coal at $7, $**. Aug. 2, Bought of Johnson 4 tons hay at $6, $**. Aug. 3, Sold Wilson 3 tons feed at $9. Aug. 4, Received from Wilson cash on

account, $20, and on same day paid Johnson cash on account, $15. Aug. 5, Bought of Johnson 125 bu. of oats at 25¢; same day sold Wilson 25 bu. of oats at 30¢. Aug. 7, Wilson has done work for us amounting to $34, which is to apply on his account. Aug. 9, Paid Johnson cash on account, $5. Aug. 10, Sold Johnson 2 tons coal at $7.50. Aug. 11, Bought of Johnson 50 bbl. apples at $1.25. Aug. 15, Borrowed of Johnson cash, $40. Aug. 16, Paid Wilson cash in full of account, $*.**. Foot and rule up Wilson's account. Aug. 17, Sold Wilson 3 tons hay at $8. Aug. 20, Sold Johnson 2 tons coal at $7.50. Aug. 21, Returned to Johnson money borrowed of him on the 15th inst. Aug. 22, Bought of Johnson 2 tons hay at $9, and immediately sold same to Wilson at $10. Aug. 24, Received from Wilson cash $25, which sum I paid to Johnson. Balance and rule up the two accounts. Wilson's balance is $**; Johnson's balance is $60.75.

QUESTIONS

1. What is a personal account?
2. What does "on account" mean?
3. Which side of a personal account may be the greater?
4. What does the balance of Hart's account show?

How to Forward an Account.—It frequently happens that all the items of an account can not be placed on the same page, and it becomes necessary to forward the account to some other page. You will therefore use the following forms in forwarding footings:

WILLIAM JOHNSON — PAGE 5

19—						19—					
Aug.	4	Cash on account,		15		Aug.	2	4 tons Hay @ $6.00,		24	
							5	125 bu. Oats @ .25,		31	25
	5	Amt. ford., -	19	15			5	Amt. ford., -	19	55	25

WILLIAM JOHNSON — PAGE 19

19—						19—					
Aug.	5	Amt. ford., -	5	15		Aug.	5	Amt. ford., -	5	55	25

To the Student: Have the above four examples approved and then copy them in your Exercise Book.

EXERCISE VIII

JOURNALIZING PERSONAL ACCOUNTS

To the Student: You may journalize the following transactions, first observing the model entries.

RULE V.—*When you owe a person, or when a person pays you an account, Cr. that person.*

RULE VI.—*When a person owes you, or when you pay a person on account, Dr. that person.*

April 1, 19—. Bought of Henry Wilson, Mdse. amounting to $1250, for which I owe him on account

"*On account*" is the same as "on credit." Henry Wilson is credited. (See form below.)

April 2. Sold R. Banks, Mdse. amounting to $500, for which he owes me on account.

19—					
Apr.	1	Mdse.,	1250		1250
		Henry Wilson,			
	2	R. Banks,	500		500
		Mdse.,			

April 3. Bought of David Jones, on account, 50 bbl. Flour at $6, $300.

April 6. Received of R. Banks, cash on account, $250.

April 7. Paid Henry Wilson, cash on account, $500.

April 8. Sold W. Lyman on account, Mdse. amounting to $600.

April 10. Sold R. Davis J. A. Cooper's note at 30 days, for which he paid me cash, $200.

April 11. Paid David Jones on account, my note at 60 days for $200.

April 12. Paid Henry Wilson on account, cash, $300; also paid David Jones on account, cash, $100. Total $400.

April 13. Bought of S. Dunn, Mdse. on account, $500; also bought of H. Warren, Mdse. on account, $450. Total $950.

April 15. Paid S. Dunn on account my note at 30 days, for $200, payable at First National Bank, 6% interest.

April 17. Paid Henry Wilson on account, James Berry's note for $200; also my note at 30 days for $100. Total $300.

April 18. Received of R. Banks on account, my note, favor of John Simmons, for $200.

April 20. R. Wilson has this day assumed the balance due from W. Lyman, $400.

When a person assumes the debt of another, Dr. him, and credit the person who is thereby released from the obligation.

April 21. Sold A. D. Campbell, a bill of goods for $235. Received in payment James H. Smith's note his favor, $235.

April 23. Paid Henry Wilson on account, my note at 90 days for $100; also William King's note for $50. Total $150.

April 24. Sold A. A. Blair, on account, 15 bbl. Flour at $6.50, $97.50; 20 bbl. Pork at $9.75, $195; 600 bu. Corn at 35¢, $210; 100 bbl. Salt at $1.75, $175. Total $677.50.

April 25. Received from A. A. Blair to apply on his account his note at 15 days for $175, M. F. Deale's note at 30 days for $230, and cash for the balance of his purchase of yesterday.

April 25. Bought of C. O. Smith, 10 shares Union Bank Stock at $100, $1000. Gave in payment my note at 10 days drawing 6% interest for $400; cash $600.

April 26. Borrowed of C. Fraser on account $160 cash to be returned in ten days.

April 28. Paid M. L. Walker cash on account $56; also for our note of $75 due to-day. Total $131.

April 30. Journalize the following bill as Mason & Osgood's bookkeeper:

NEW YORK. Sept. 18, 19

Messrs. John King & Co.

BOUGHT OF **MASON & OSGOOD.**

TERMS—30 DAYS.

9	bbl. Mess Pork	9.00	81	
4	" Flour	8.00	32	
20	kit. Mackerel	1.80	36	
14	bbl. Salt	1.75	24 50	
				173 50

April 30. Journalize the above as John King & Co.'s bookkeeper.
Write the bill for April 24.

To the Student: Present your work for approval and then copy in permanent Journal.

ELEMENTS OF THE SCIENCE OF ACCOUNTS

What is Value?

Value is the ratio existing between different commodities or services with refer ence to exchange.

What is a Business Transaction?

A Business Transaction consists in the exchange of values.

What is Bookkeeping?

Bookkeeping is a systematic method of recording business transactions, and is divided into two kinds, distinguished as Single Entry and Double Entry.

What is Single Entry Bookkeeping?

Single Entry is a method of keeping accounts in which there is only one debit or one credit to a business transaction. Personal accounts are the only ones usually carried to the Ledger.

What is Double Entry Bookkeeping?

Double Entry is a method in which every business transaction produces both a debit and credit of equal amount in the Ledger.

Which method is considered preferable?

Double Entry is preferable, because it furnishes a more complete business record, and leaves less liability for errors and omissions.

Define Debit and Credit.

Debit and Credit are terms used to express the relation which exists between persons or commodities that enter into any business transaction. The simplest meaning of debit, is to *charge;* and of credit, is to *trust.*

What are Resources?

Resources or assets are property of any kind belonging to the business; such as cash, merchandise, real estate, notes payable to the firm, etc.

What are Liabilities?

Liabilities are debts owing by the business, such as notes outstanding, etc.

What are Gains and Losses?

Gains and Losses are terms used to express some change in the quantity or value of the assets or liabilities of the business. Gains arise from an increase in the value of the assets or a decrease in the liabilities. Losses arise from a decrease in the value of the assets or an increase in the liabilities.

What is Capital?

Capital is the excess of one's assets over his liabilities.

What is Insolvency?

Insolvency is the excess of one's liabilities over his assets.

What is Cash?

Cash is a title used to designate money. We include under it currency, bank drafts, checks, sight drafts, postal orders, express orders, etc.

What is Merchandise?

Merchandise includes all goods and wares dealt in by the concern as a business, and which are in store.

What are Bills Payable?

Bills Payable are our notes or written obligations which others hold, for which we are to pay a certain amount when due.

What are Bills Receivable?

Bills Receivable are others' notes or written obligations which we hold, for which we are to receive a specified sum when due.

What is Bank Stock?

Bank Stock, railroad stock, etc., denotes shares in such corporations. Stocks of all kinds are bought and sold at their market value.

What is Real Estate?

Real Estate is a name given to houses and lands.

What is Shipment?

Shipment or consignment is a name given to merchandise which we send away to an agent or commission merchant to sell for us. This is to distinguish between property in store and out of store.

What are Interest and Discount?

Interest, Discount, premium or exchange, are allowances which we make to others, or others make to us, usually with reference to commercial paper.

How do we indicate that an Account is Debited?

We show that an Account is Debited by placing the amount on the left, or Dr. side of the account.

How do we indicate that an Account is Credited?

We show that an Account is Credited by placing the amount on the right, or Cr. side of the account.

How do we know what to Debit and what to Credit?

We Debit what costs value and Credit what produces value.

How are the terms applied?

The following List comprises all the conditions to which the terms debit and credit apply:

DEBITS.

1. Cash received.
2. Others' notes received.
3. Our notes redeemed.
4. What others owe us.
5. Capital withdrawn.
6. Any loss.
7. Any valuable thing received.
8. Any valuable thing invested.

CREDITS.

1. Cash paid.
2. Others' notes disposed of.
3. Our notes issued.
4. What we owe others.
5. Capital invested.
6. Returns or gains.
7. Any valuable thing disposed of.
8. Any valuable thing withdrawn.

What should be the conditions of debits and credits?

The Debit or debits must always equal in amount the credit or credits.

Are the number and form of the books used in business always the same?

They are not, but are modified to suit the requirements of each particular case. The principles of bookkeeping, however, are never changed.

What is a Book of Original Entry?

A Book of Original Entry, as its name implies, is one in which the entry is first made.

What other books of Original Entry are there besides the Day Book?

When the purposes of record are best served by separating and classifying the transactions at the very outset it is usually done through special books, such as the Cash Book, containing the record of receipts and disbursements of cash; the Sales Book, containing all sales of goods; the Invoice Book, containing all purchases, etc.

What is the use of the Journal?

The Journal is used to facilitate the transfer of the Day Book entries to the proper side of their respective accounts in the Ledger. It may also be a book of original entry by supplying proper explanations to each entry.

What is Journalizing?

Journalizing is the process of transferring entries from the books of original entry to the Journal.

What is the Ledger?

The Ledger is the reservoir of accounts; the receptacle of debits and credits from all other books.

What is an Auxiliary Book?

An Auxiliary Book is one which is subordinate to, and independent of, the other books of the set. It is kept as a book of reference, and its entries are not transferred to any other book. The Memorandum Book, Check Book and Private Ledger are examples of auxiliary books.

QUESTIONS FOR REVIEW

1. In what does Journalizing consist? 2. What must be the condition of the debits and credits in every Journal entry? 3. How many forms of Journal entries are there? 4. What are they? 5. What is the General Rule for Journalizing? 6. Under what name are Beef, Flour, Pork, etc., entered? 7. How do you enter Houses and Lands? 8. In case you purchase Bank Stock what do you debit? 9. What is a Promissory Note? 10. How many parties are there to a Promissory Note, and what are they? 11. Who is the maker? 12. Who is the payee? 13. Who is an indorser? 14. What is the purpose of writing the payee's name upon the back of the note? 15. How many days of grace have notes? 16. When is the maturity of a note? 17. What is a Bill Receivable? 18. What is a Bill Payable? 19. When you receive another person's note what do you debit? 20. When you dispose of that note what do you credit? 21. When you issue your note what do you credit? 22. When you redeem that note what do you debit? 23. What is an item in bookkeeping? 24. What is the meaning of the word Sundries?

ACCOUNTS

EXERCISE IX

POSTING AND TAKING A TRIAL BALANCE

To the Student: You will closely follow the following plan in writing up this exercise, as it consists of several distinct parts. Have your work for each step approved before attempting the next.

First, Journalize transactions for January as per form given on page 32.

Second, Open Ledger heading as directed on page 32.

Third, Transfer all debit and then all credit items to their proper Ledger accounts as per directions on page 33. See "Directions for Posting."

Fourth, Take a trial balance as directed on page 36.

Caution.—At the end of each step you will have papers approved, after which they will be copied in permanent blank books. Follow these instructions in all subsequent work.

An **Account** is an item or group of items, under a proper heading or title, so arranged as to show a result of some department of the business.

The **Ledger** is the book in which accounts are kept. The items in the Ledger are transferred to it from some other book in which the transactions are entered in the order of their dates or occurrence. The process of making such transfer of items to the Ledger is called *posting*.

The **Ledger Heading** or **Title** is the name under which the account is kept. Thus "*Cash*" is a title under which we keep a record of all money received and paid out. "*Merchandise*" is a title under which is kept an account of goods bought and sold, etc. The title of the account given below is *William Wilson.* The titles or Ledger headings are always the same as the names of the items in the Journal.

FORM OF LEDGER ACCOUNT

Dr. William Wilson Cr.

Mo	Day	Explanatory	Page	Dollars	Cents	Mo	Day	Explanatory	Page	Dollars	Cents
19– Jan.	1		1	145		19– Jan.	10		8	100	
	3		4	57	30						

Debit and Credit. Every account is divided into *two parts* or sides by a double vertical line in the center. The left side is called the *debit side*, and the right side is

called the *credit*. The account is debited by placing an entry upon the left, or Dr. side, or is credited by placing an entry upon the right, or Cr. side.

The single horizontal line is called the *title line*. The first two columns on either side are the *date columns*, for year, month and day—the year being written just above the month below the headline. The wide column next to the date line is for an explanation of the entry. The next column to the right is the *folio column*, in which is placed the page of the book from which the item is transferred. This is necessary for the sake of reference. The columns in which dollars and cents are written are called *money columns*.

TRANSACTIONS TO BE JOURNALIZED

(See model on next page.)

Jan. 1, 19—. Student (your name) has this day commenced business with a cash capital of $2000.

Jan. 2. Bought of Merriam, Collins & Co. for cash, 200 lb Butter at 25¢, $50; 75 lb Maple Sugar at 15¢, $11.25; 25 lb Black Tea at 40¢, $10; 25 lb Java Coffee at 18¢, $4.50; 250 doz. Eggs at 15¢, $37.50. Total $113.25.

Jan. 3. Bought of A. W. Dudley & Co. on my note at 6% interest, 50 bbl. Patent Flour at $5.50, $275; 75 bbl. Apples at $1.75, $131.25; 150 bu. Peach Blow Potatoes at 80¢, $120. Total $526.25.

Jan. 4. Sold to William D. Jackson for cash, 50 lb Butter at 35¢, $17.50; 25 bbl. Patent Flour at $5.75, $143.75; 20 bbl. Apples at $2, $40. Total $201.25.

Jan. 6. Bought of Chas. H. Fox, Los Angeles, Cal., for cash, 200 boxes California Grapes at 25¢, $50; 50 boxes Oranges at $1.60, $80. Total $130.

Jan. 8. Sold to James Duncan, Baltimore, on account, 100 lb Butter at 32¢, $32; 200 doz. Eggs at 16¢, $32; 100 bu. Peach Blow Potatoes at 75¢, $75; 25 bbl. Apples at $2.10, $52.50. Total $191.50.

Jan. 9. Received from James Duncan on account, cash $100.

Jan. 10. Bought of Jas. Gamage & Co., 100 boxes California Grapes at 40¢, $40; 50 boxes Oranges at $2, $100; 250 lb Maple Sugar at 20¢, $50; 25 lb Black Tea at 50¢, $12.50. Total $202.50. Gave in payment cash $50; my note at 30 days for balance, $152.50.

Jan. 13. Paid A. W. Dudley & Co. for my note of the 3d inst. Face of note $526.25. Gave in payment 50 boxes Oranges at $2.25, $112.50; 100 boxes California Grapes at 50¢, $50. Total $162.50; cash for balance, $363.75.

Jan. 15. Paid cash for rent of store for current month, $50.

"Expense" is the debit term.

Jan. 16. Bought of Washburn & Co., Minneapolis, on account, 50 bbl. Minnesota White Wheat Flour at $5.60, $280. Paid cash for freight on same, $11.40.

Jan. 18. Bought of A. W. Hammond on account, a burglar proof safe for my office, $100.

Debit "Fixtures" for this transaction.

Jan. 20. Received of James Duncan cash $25, and his draft on A. S. Dow at 10 days' sight for $50, to apply on account.

Jan. 20. Sold to Thompson & Smith on account, 25 bbl. Minnesota White Wheat Flour at $6, $150; 50 doz. Eggs at 22¢, $11; 50 bu. Peach Blow Potatoes at 75¢, $37.50. Total $198.50.

Note.—It is not thought necessary to give special rules for Fixtures and Expense at the present time. The general rule covers the case until a special rule becomes desirable. The student should be able to formulate all special rules from the general rule already given.

First Step

19— Jan.	1	Cash		2000	
			Student		2000
	2	Mdse.		113 25	
			Cash		113 25
	3	Mdse.		526 25	
			Bills Payable		526 25
	4	Cash		201 25	
			Mdse.		201 25
	6	Mdse.		130	
			Cash		130
	8	James Duncan, Baltimore		191 50	
			Mdse.		191 50
	9	Cash		100	
			James Duncan		100
	10	Mdse.		202 50	
			Cash		50
			Bills Payable		152 50

Second Step

OPENING ACCOUNTS

The proprietors' or partners' accounts should, for convenience, always appear first in the Ledger. This account is followed by the representative accounts and

lastly appear the real accounts. As matter of taste, accounts upon opposite pages should be placed exactly opposite each other, where it can be done conveniently. Ledger headings should be written in a plain, strong hand, slightly shaded. Never attempt any flourish or ornamentation in your Ledger. Never abbreviate Ledger headings unless a personal account, and then you should be governed by the manner in which the person signs his name. Be accurate in this. *P. Smith* is not *Peter Smith*, and *J. Brown* is very different from *J. Brown & Co.* An account with one may be *worthless* and with the other *A1*. The heading of a personal account should always include the address.

Open an account in the Ledger with the proprietor of the business (who is, in this case, yourself) by writing your name upon the title line, instead of *Student*, at the head of the first page of the Ledger. Some bookkeepers use the term *Stock* instead of the proprietor's name.

Eight lines below the proprietor's account, open a "Merchandise" account, 10 lines lower, one with "Expense," and 8 lines lower, one with "Fixtures."

At the top of page 2 open an account with "Cash;" 8 lines lower, one with "Bills Payable," and 8 lines lower, one with "Bills Receivable."

Each of the following accounts to have 8 lines: James Duncan, Baltimore, Md.; Washburn & Co., Minneapolis; A. W. Hammond, and Thompson & Smith.

If necessary to increase or diminish this number slightly at the bottom of a page, to suit the length of the page, this should be done so that an account may stand at the head of the next page.

Third Step

DIRECTIONS FOR POSTING

POSTING THE DEBIT ITEMS

JANUARY 1. (SEE THIS ENTRY IN YOUR JOURNAL.)

The first item in your Journal is Cash and it is debited. Turn to the Cash account in your Ledger on the left hand, or debit side, and write the month and day (and the year if not written above) in the date columns. Place the page of your Journal in the folio column, and write the amount $2000 in the money column. *(See Form of Ledger on page 36.)*

We have now posted the debit item, but we wish to show in the Journal that it has been posted. This is done by placing the Ledger page opposite the word Cash in the Journal. This process is called *post-marking*.

JANUARY 2. (SEE THIS ENTRY IN YOUR JOURNAL.)

Mdse. is debited, and hence turn to the Merchandise account in your Ledger, and on the debit side write the year, month and day in the date columns, and place the amount $113.25 in the money columns. Next post-mark the entries by placing the page of the Journal from which the item is posted in the folio column in the Ledger, and the page of the Ledger in the folio column of your Journal, opposite Mdse.

JANUARY 3. (SEE THIS ENTRY IN YOUR JOURNAL.)

Mdse. is debited and therefore must be carried to the debit side of that account in the Ledger. Write the date first, consisting of the month (") and day, and place

the amount in the money column. Post-mark the entry by placing the page of the Journal in the Ledger and the page of the Ledger in the Journal opposite the item posted.

JANUARY 4. (SEE THIS ENTRY IN YOUR JOURNAL.)

Cash is debited in your Journal and hence it must be debited in your Ledger. Turn to that account and on the left hand, or debit side, write date, placing the amount $201.25 in the money columns. Post-mark the entry by placing the page of the Journal in the Ledger and the page of the Ledger in the Journal opposite the item posted.

JANUARY 6. (SEE THIS ENTRY IN YOUR JOURNAL.)

On debit side of Merchandise account write the date and $130, and post-mark the entry by placing the Journal page in the folio column and the Ledger page in your Journal.

JANUARY 8. (SEE THIS ENTRY IN YOUR JOURNAL.)

On the debit side of James Duncan, Baltimore, write the date and $191.50, and post-mark the entry.

JANUARY 9. (SEE THIS ENTRY IN YOUR JOURNAL.)

On the debit side of Cash account write the date and $100, and post-mark the entry.

JANUARY 10.

On the debit side of Merchandise account write the date and $202.50, and post-mark the entry.

JANUARY 13.

On the debit side of Bills Payable account write the date and $526.25, and post-mark the entry.

JANUARY 15.

On the debit side of Expense account write the date and $50, and post-mark the entry.

JANUARY 16.

On the debit side of Merchandise account write the date and $291.40, and post-mark the entry, etc.

POSTING THE CREDIT ITEMS

JANUARY 1. (SEE THIS ENTRY IN YOUR JOURNAL.)

The first credit item in your Journal is your name and it is credited. Turn to your account (the first account), and since it is credited in the Journal we must make the entry upon the right-hand or credit side in the Ledger. Write first the month and day (with the year written above). Place the amount $2000 in the money column. Now post-mark the entries by placing the page of your Journal in the Ledger in the folio column and the page of your Ledger in the Journal opposite your name.

JANUARY 2. (SEE THIS ENTRY IN YOUR JOURNAL.)

The credit item of this entry is Cash, and hence turn to the Cash account in your Ledger; on the credit side write month and day (using repeating marks for month), and place the amount in the money column. Now post-mark the entry by placing the page of the Journal in your Ledger and the page of your Ledger in the Journal.

JANUARY 3. (SEE THIS ENTRY IN YOUR JOURNAL.)

Bills Payable is credited and must therefore be carried to the credit side of that account in the Ledger *(see top of page 2 in your Ledger)*, and place the amount $526.25 in the money column. Post-mark by placing the page of the Journal in the Ledger and the page of the Ledger in the Journal opposite the item posted.

JANUARY 4. (SEE THIS ENTRY IN YOUR JOURNAL.)

Mdse. is credited in this entry and hence that account must be credited in the Ledger. Turn to the Merchandise account and upon the credit side enter the date, placing the amount in the money column. Post-mark the entry by placing the page of your Journal in the Ledger and the page of your Ledger in the Journal.

JANUARY 6. (SEE THIS ENTRY IN YOUR JOURNAL.)

On the credit side of Cash account write the date and $130, and post-mark the entry as heretofore.

JANUARY 8. (SEE THIS ENTRY IN YOUR JOURNAL.)

On the credit side of Merchandise account write the date and $191.50, and post-mark the entry.

JANUARY 9. (SEE THIS ENTRY IN YOUR JOURNAL.)

On the credit side of James Duncan's account write the date and $100, and post-mark the entry.

JANUARY 10.

On the credit side of Cash account write the date and $50, and post-mark the entry. On the credit side of Bills Payable account write the date and $152.50, and post-mark the entry.

JANUARY 13.

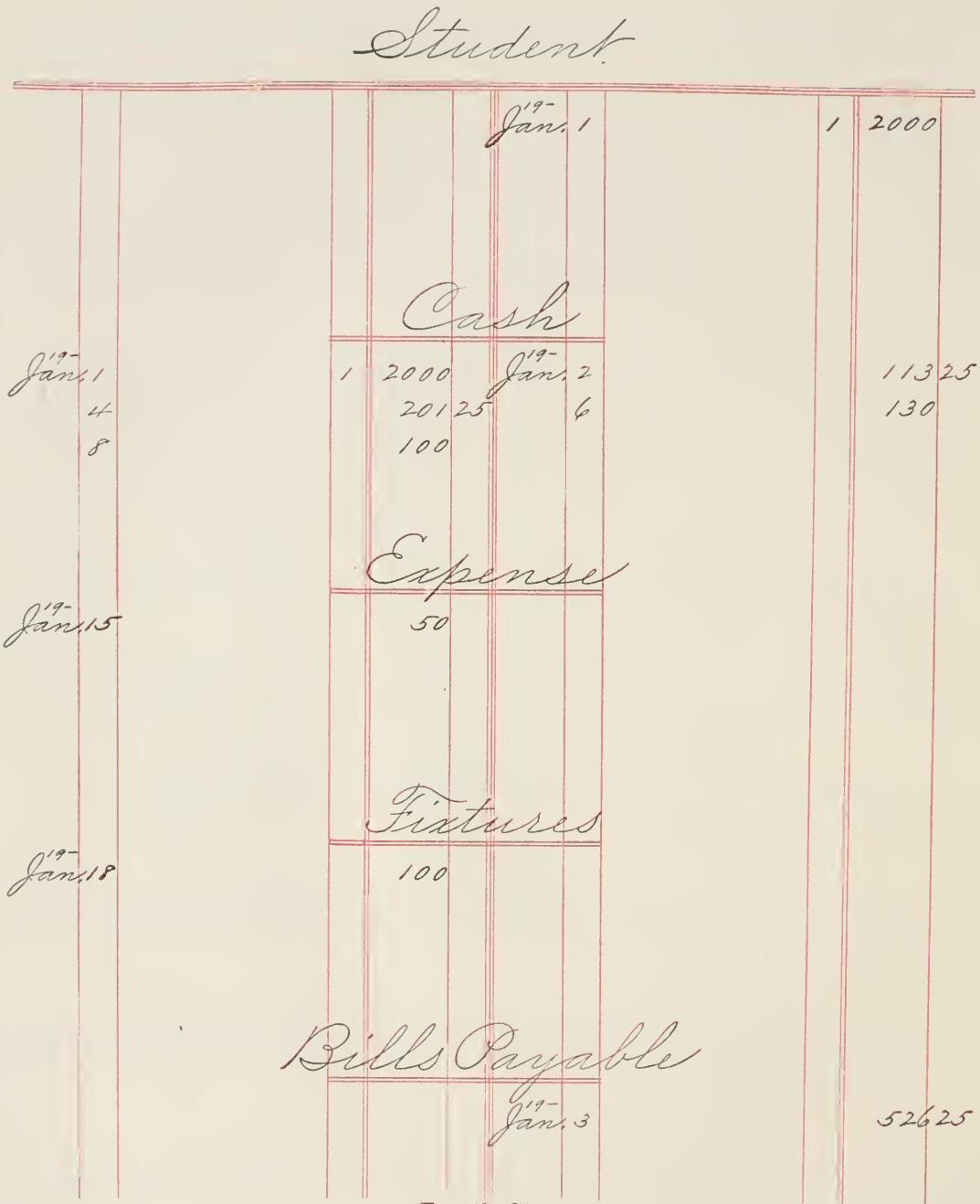
On the credit side of Merchandise account write the date and $162.50, and post-mark the entry. On the credit side of Cash account write the date and $363.75, and post-mark the entry.

JANUARY 15.

On the credit side of Cash account write the date and $50, and post-mark the entry.

JANUARY 16.

On the credit side of Washburn & Co.'s account write the date and $280, and post-mark the entry. On the credit side of Cash account write the date and $11.40, and post-mark the entry, etc.



Fourth Step

TRIAL BALANCE

You have probably noticed that in posting, for every amount carried to the debit side of an account you carried an equal amount or amounts to the credit side of some other account or accounts. This is an illustration of the principle upon which

Double Entry is founded, and from which it derives its name, viz.: *That every debit must have a corresponding credit* (two entries). If, therefore, you have made no error in posting, the debits and credits in your Ledger are equal, and the book is said to be in balance. To ascertain whether this is so, you will now proceed to take off a *Trial Balance*. The first step in this operation will be to *foot the accounts*. This consists in adding each side of every account in the Ledger, and placing the total directly beneath, in small but distinct pencil figures. A sharp, hard pencil should be used for this purpose.

For the Trial Balance use a sheet of paper ruled in Journal form. Write the name of each account as it appears in your Ledger in regular order and place the folio of the Ledger to the left in the folio column. In the money columns place opposite its name, the pencil footings of both sides of each account as previously obtained (unless it be an account which balances, in which case it may be left out entirely).

Trial Balance, Jan. 31, 19—.

1	(Student)		2000
1	Merchandise	126340	75375
1	Expense	50	
1	Fixtures	100	
2	Cash	******	7****
2	Bills Payable	*****	**875
2	Bills Receivable	50	
	James Duncan, Baltimore, Md.	19150	175
	Washburn & Co. Minneapolis		***
	A. W. Hammond		100
	Thompson & Smith	19850	
		470590	470590

When all of the accounts with the totals of each have thus been transferred upon this sheet, foot up the two columns, and if the totals agree, the Ledger is in balance and is probably correct. This is not an absolute proof of the correctness of the Ledger, however, as an entry may have been posted to a wrong account, or omitted entirely, without destroying the equilibrium of the Ledger.

If the Trial Balance shows the Ledger to be out of balance, the error must be discovered before proceeding. This is best done by "checking" the books, which consists in tracing each entry from the Journal to its account in the Ledger, and if found correct, making a small check mark (√) opposite the amount. After completing this operation, if any item is found not checked, it is considered as superfluous or wrong, and if, after comparison with the Journal, it is found to be really so, it must be erased, or otherwise corrected.

The Trial Balance, it will be perceived, is a complete exhibit of the Ledger prior to closing, hence in business it should always be dated and carefully filed away, or kept in a book provided for that purpose, for future reference. It may exhibit total debits and total credits, or only the debit and credit balances.

Until otherwise instructed, you will include both debit and credit totals in the Trial Balance. Do not include in the Trial Balance any account that balances, that is, the total debits equaling the total credits.

EXERCISE X

FEBRUARY

To the Student: Journalize the following transactions and write up business papers and have them approved, after which the Journal entries will be copied in the permanent Journal.

TRANSACTIONS

Feb. 1, 19—. (Student) commenced business this day with a cash capital of $3500.

Feb. 2. Bought of Marshall Field & Co., 50 doz. Men's Linen Shirts at $10, $500; 100 doz. Ladies' Linen Handkerchiefs at $2.50, $250; 2 cases Paper Cambric, 4000 yd., at 10¢, $400; 200 yd. Bleached Cotton at 10¢, $20. Total $1170. Gave in payment my note at 9 days for $600; cash for balance, $570.

Feb. 3. Bought of J. V. Farwell & Co., on account, 50 yd. Irish Linen at 40¢, $20; 100 yd. Sheeting at 11¢, $11. Total $31.

Feb. 4. Sold to W. O. Thomas, on account, 10 doz. Men's Linen Shirts at $12, $120; 5 yd. Irish Linen at 50¢, $2.50. Total $122.50.

Feb. 5. Sold to Dodd & Brown, St. Louis, on their note at 30 days, 1 case Paper Cambric, 2000 yd. at 11¢, $220; 10 doz. Ladies' Linen Handkerchiefs at $3, $30. Total $250.

Feb. 7. Bought of H. B. Claflin & Co., on my note at 30 days, 1000 yd. Gingham at 10¢, $100; 55 yd. Black Silk at $2.75, $151.25; 100 yd. Broadcloth at $3.75, $375. Total $626.25.

Feb. 9. Sold to G. B. Fairchild, Omaha, on account, 30 yd. Black Silk at $3, $90; 15 yd. Irish Linen at 55¢, $8.25. Total $98.25.

Feb. 11. Paid Marshall Field & Co., cash for my note of the 2d inst., $600.

Feb. 12. Sold Henry Russell, Milwaukee, Wis., on account, 50 yd. Sheeting at 12¢, $6; 200 yd. Gingham at 12¢, $24; 10 doz. Men's Linen Shirts at $12, $120. Total $150.

Feb. 15. Sold to C. A. Warren for cash, 14 yd. Broadcloth at $4, $56; 1 case Paper Cambric, 2000 yd. at 12¢, $240. Total $296.

Feb. 15. Bought of J. B. Clark, Store and Lot, No. 185 Lake Street, for $4000. Gave in payment, cash, $2000; my note at 60 days for $2000. Total $4000.

Feb. 16. Received cash of W. O. Thomas, on account, $75; also $50 from Henry Russell on account.

Feb. 18. Sold G. B. Fairchild, Omaha, on account, 100 yd. Bleached Cotton at 12¢, $12; 20 doz. Men's Linen Shirts at $12.50, $250. Total $262.

Feb. 19. Received of Henry Russell, Milwaukee, his note at 30 days in full of account, $100.

Feb. 20. Sold to F. E. Arnold, on account, 20 yd. Irish Linen at 50¢, $10; 800 yd. Gingham at 12¢, $96; 16 yd. Broadcloth at $4, $64. Total $170.

Feb. 22. Received of G. B. Fairchild, on account, cash, $125; his note at 30 days for $200. Total $325.

Feb. 23. Paid taxes on Store and Lot, No. 185 Lake Street, for current year, in cash, $18.30.

Feb. 24. Received cash of W. O. Thomas, on account, $25.

Feb. 25. Sold to Henry Russell, Milwaukee, on account, 50 yd. Sheeting at 13¢, $6.50; 50 doz. Ladies' Linen Handkerchiefs at $3, $150. Total $156.50.

Feb. 26. Received cash of F. E. Arnold, on his account, $100.

Feb. 26. Paid H. B. Claflin & Co., cash, on my note of the 7th inst., $450.

Feb. 27. Sold to W. O. Thomas, on account, 10 doz. Men's Linen Shirts at $12, $120. He paid on account cash, $25. (Two entries.)

Feb. 28. Paid cash to Robert Law for 2 tons coal for use of store, $13.

Feb. 28. Received of Dodd & Brown, cash on their note of the 5th inst., $150.

Feb. 28. Received cash of the following persons on account: G. B. Fairchild, $20; F. E. Arnold, $40; W. O. Thomas, $50. Total $110.

Feb. 28. Paid cash for the following expenses: Clerk's wages to date, $60; Gas bill for the month, $10.80; Advertising in the *Times*, $12. Total $82.80.

Business Papers required for February.

Bill to Henry Russell, Milwaukee, Wis., Feb. 12. (See page 26 for form.)

Receipt to W. O. Thomas, Feb. 24. (See page 65 for form.)

EXERCISE XI

LEDGER HEADINGS

To the Student: Open the following accounts in the Ledger.

Always have a heading at the top of each page, giving each account the designated number of lines. If there is not sufficient room for an account you may skip the part of a page and start on the following page. On page 24 you will find instructions for forwarding accounts to new pages.

(Student), 8; Merchandise, 15; Real Estate, 8; Expense, 8; Cash, 15; Bills Receivable, 10; Bills Payable, 10; J. V. Farwell & Co., Chicago, 8; W. O. Thomas, 8; G. B. Fairchild, Omaha, 8; Henry Russell, Milwaukee, Wis., 8; F. E. Arnold, 8; Loss and Gain, 8.

EXERCISE XII

To the Student: You will now post the transactions from the Journal to the Ledger. Read "Directions for Posting," page 33.

First, Post all debit items, being careful to place the debit items under the proper heading.

Second, Post all credit items, observing the usual caution.

EXERCISE XIII

To the Student: Read directions, "How to Take a Trial Balance," page 36. Take Trial Balance for February. Your Trial Balance must agree with the following:

L. F.		TRIAL BALANCE, FEBRUARY 28, 19–	Dr.		Cr.	
1		Student,			3500	
1		Merchandise,	****	**	1625	25
1		Real Estate,	40**	**		
		Expense,	95	80		
		Cash,	4456		****	**
		Bills Receivable,	550		150	
		Bills Payable,	1050		****	**
		J. V. Farwell & Co.			31	
		W. O. Thomas,	***	**	175	
		G. B. Fairchild,	360	25	***	
		Henry Russell,	306	50	***	
		F. E. Arnold,	170		140	
			130**	**	130**	**

Note.—The Trial Balances will be written on a left-hand page of the Statement Book, the corresponding right-hand page being reserved for the Statement or Balance Sheet, as the case may be.

EXERCISE XIV

CLOSING THE LEDGER

Having become familiar with the rules and principles of Journalizing, learned the process by which Journal entries are transferred to the Ledger, called posting, and the method of proving the correctness of the work by means of the Trial Balance, it now becomes necessary to take another step in advance, called *Closing the Ledger.*

The object of closing the Ledger is to place the accounts in the Ledger in such a condition as to show: 1st, the resources and liabilities of the business; 2d, the gains and losses of the business, and 3d, the net capital or net insolvency of the proprietor, or, if a partnership concern, the financial condition of each partner. It is customary in business to close books once a year, although many firms close their books semi-annually.

Before attempting the process of closing a set of books it will be necessary to understand the *classification* of *accounts.*

Accounts are divided, according to their nature, into two kinds: *Real* and *Representative.* A *Real Account* is one which shows a *resource* or *liability*, as *Cash*, which exhibits the amount of money on hand; *Personal Accounts*, showing what individuals owe the business and what the business owes to individuals, on open account; *Bills Receivable* and *Bills Payable*, showing what is owing to the business and what the business owes on written obligations, etc. Such accounts are called *Real*, because they represent a fixed and certain value, supposed to be unchangeable.

A *Representative Account* is one which shows the separate gains or losses of the business. This class of accounts represents the earning activities of the business, and under this head we place *Merchandise, Real Estate, Bank Stock, Shipments*, or *Consignments*, and all other property accounts, also *Expense, Interest, Discount, Commission*, etc. These accounts are called *Representative* because they possess a fluctuating or speculative character, and their values are changeable.

The classification of accounts may be shown thus:

Accounts. { Real. { Those which represent Resources or Liabilities, as: Cash, Bills Rec., Bills Pay., Personal Accounts.
Representative. { Those which represent Gains or Losses, as: Expense, Interest, Discount, Mdse. and other Property Accounts.

I. *Real Accounts are closed to or by "Balance."*

II. *Representative Accounts are closed (after entering the Inventory, if any) to or by "Loss and Gain."*

An entry in red ink on the Ledger indicates that the amount is to be transferred either to some other account, or to some other part of the same account. It also indicates that the entry is *first* made in the Ledger, and not transferred from the Journal or some other book. In transferring red ink entries they always change sides, and are entered on the *opposite* sides from where they first appear, in black ink. In being transferred, entries change sides in order to restore the amount to its original position as a debit or credit on the Ledger.

CLOSING REPRESENTATIVE ACCOUNTS

Before the Representative accounts can be closed an inventory must be made of all property on hand or unsold, belonging to the concern. This process is called in business "Taking an account of Stock," and consists in examining and enumerating the articles and affixing values thereto. The value should be governed by what it would cost to replace the articles in store at the time of taking the inventory. "Taking account of Stock" is estimating the value of perhaps the most important assets of the business, and hence is a matter of too great importance to be intrusted to inexperienced persons. Write the inventory below the trial balance.

In the present case we have the following

INVENTORY OF PROPERTY UNSOLD, FEBRUARY 28, 19—

40 doz.	Ladies' Linen Handkerchiefs,	@ $2.50	100			
10 yd.	Irish Linen,	@ .40	4			
25 "	Black Silk,	@ 2.75	68	75		
70 "	Broadcloth,	@ 3.80	266			
100 "	Bleached Cotton,	@ .10	10			
					448	75
	House and Lot, 185 Lake St., valued at				4000	

Having secured an inventory of property on hand, proceed to close the Representative accounts as follows:

After the last account in your Ledger, open an account with *Loss and Gain*, if one is not already opened, into which will be carried all the gains or losses of the business as they are ascertained from the Representative accounts.

The first Representative account is

MERCHANDISE

This is a *Representative* account having an *Inventory*. We enter the Inventory upon the credit side as if the goods were sold at the valuation given, making the entry in red ink, *Feb. 28, Inventory, $448.75*. Adding this to our total sales and subtracting the purchases (debit side) we have a difference of $246.75, and since the

credit side is the greater this difference represents a gain. We enter this gain upon the smaller side (debit) in red ink, *Feb. 28, Loss and Gain, $246.75.*

Rule and foot the account as shown below:

Merchandise

19–					19–				
Feb.	2		1	1170	Feb.	4		1	122 50
	3		1	31		5		1	250
	7		1	626 25		9		1	98 25
	28	Loss & Gain	4	246 75		12		1	150
						15		2	296
						18		2	262
						20		2	170
						25		2	156 50
						27		2	120
						28	Inventory	✓	448 75
				2074 00					2074 00
Mar.	1	Inventory	✓	448 75					

Since both of the red ink entries in the above account have thrown the Ledger out of balance, we must proceed to make the necessary entries to restore it to balance. Bring down the red ink inventory entry upon the opposite side in black ink below the rulings, *Mar. 1, Inventory, $448.75.* Carry the Loss and Gain entry to the credit side of the *Loss and Gain* account, making the entry in black ink *Feb. 28, Mdse., $246.75.* Post-mark the entries by placing the page of the Loss and Gain account in the Merchandise account, and the page of the Merchandise account in the folio column of the Loss and Gain account. Whenever a balance is brought down on the same page use a check mark in the folio column.

REAL ESTATE

This is a *Representative* account. It is debited for the cost of the property, and credited for the sales. It is closed the same as Merchandise account, viz.: credit the account for the value of the *Inventory*, after which close into *Loss and Gain* for the difference between the two sides. Rule and foot. Carry the *Inventory* below the rulings. Carry the Loss and Gain entry to the opposite side of the Loss and Gain account to *Real Estate* in black ink, dating the entry the last day of the month.

Where there is but one item on each side of an account, the single red lines may be omitted in ruling. No footing is necessary. The double red lines may be ruled on the blue line below the amounts, where they would be placed were the account ruled and footed in the usual manner.

EXPENSE

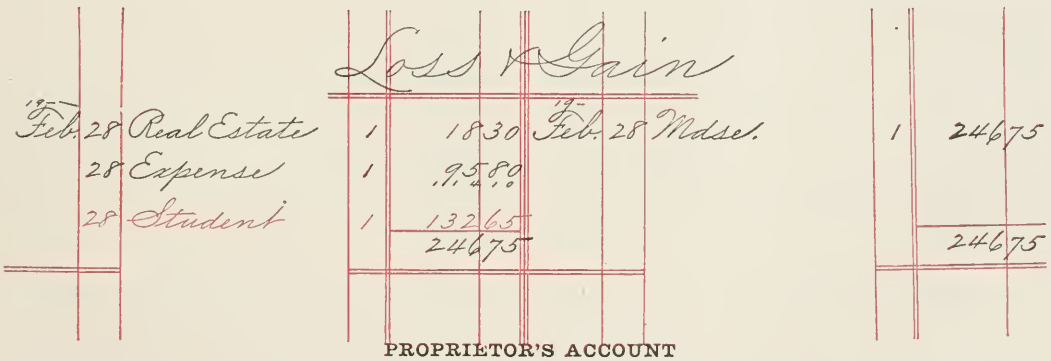
Expense account is used to record the running expenses of the business. It is debited for all outlays for this purpose, and credited for any receipts or returns which may accrue to us from any item which has been previously charged to Expense account. Thus the entire rent of our store having been charged to Expense, if we sub-let a portion of the store-room, whereby an income is received, Expense account should be credited for this income. This account is credited by *Inventory* for everything remaining on hand at the time of closing which has been previously entered in the Dr. of the Expense account. For example, a portion of our winter's fuel being on hand, is entered as an inventory on the credit side of Expense account. Likewise, rent or salaries past due and unpaid may be entered on the debit side of Expense account, as *Inventory*, as a liability, after which the account is closed to *Loss and Gain.*

LOSS AND GAIN*

This account is the receptacle of all our losses and gains. Into it have been closed all representative accounts, and it now stands debited for all losses of the business and credited for all gains. Hence the difference between the two sides must show either a net gain or a net loss. If the Cr. side be larger, the difference is a net gain; if the Dr. side be larger, the difference is a net loss. Since the proprietor of the business is the one who is to receive all gains or bear all losses, we enter the difference between the two sides in red ink, *Feb. 28, (Student) $132.65* on the Dr. side. Rule and foot the account. Transfer the net gain or loss to the opposite side of the Proprietor's account in black ink, *Feb. 28, Loss and Gain, $132.65.*

In case there are partners instead of a single proprietor, enter each partner's portion of the net gain separately in the Loss and Gain account and transfer the same to each partner's account.

*The term *Loss and Gain* is the same as *Profit and Loss.* Some prefer the former expression to the latter, because *Loss* in the Ledger title stands upon the *left* or debit side of the account, where the losses are entered, and *Gain* upon the *right* or credit side of the account, where gains are placed. To the accomplished bookkeeper the wording of the title is of very little consequence.



PROPRIETOR'S ACCOUNT

Is the first account upon the Ledger and the last to be closed. It is credited with the capital at commencing, and for any investments made during the progress of the business. It is debited for all amounts withdrawn from the business. At closing this account is debited for the net loss or credited for the net gain as brought over from the Loss and Gain account. The final closing entry in this account is *Balance.*

If entered on the debit side it shows a net capital; if entered on the credit side a net insolvency at closing.

The Proprietor's account in this set will stand as follows:

Student

19					19				
Jan.	28	Balance	✓	3632 65	Feb.	1		1	3500
						28	Loss & Gain	4	132 65
				3632 65					3632 65
					Mar.	1	Balance	✓	3632 65

Total investment, $3500. Gain added, $132.65. Closed *Feb. 28, Balance*, $3632.65, which is his net capital. Rule and foot. Bring down the Balance beneath the rulings.

CLOSING REAL ACCOUNTS

Begin with the first Real account and close them in the order in which they appear in the Ledger.

The first Real account to be closed is

CASH

The debit side represents our receipts and the credit side our payments. Subtracting the credit from the debit, we find $721.90 as the amount of Cash on hand. Enter on the smaller side, which is the credit, this difference in red ink, *Feb. 28, By Balance, $721.90.* Rule and foot the account as shown below:

Cash

19					19				
Feb.	1		1	3500	Feb.	2		1	570
	15		1	296		11		1	600
	16		2	125		15		1	2000
	22		2	125		23		2	1830
	24		2	50		26		2	450
	26		2	100		28		2	13
	28		2	150		28		2	8280
	28		2	110		28	Balance	✓	721 90
				4456					4456 00
Mar.	1	Balance	✓	721.90					

This red ink entry upon the credit side of the Ledger has thrown it out of balance, and to restore it again to its proper condition we must enter the same

amount upon the debit side. We therefore "bring the Balance down under the ruling" upon the debit side in *black* ink, and as this is the amount with which we begin the next month's business we date the entry March 1, thus: *Mar. 1, Balance, $721.90.* In the folio columns of both of these entries place a check mark.

The next account is

BILLS RECEIVABLE

This is a *Real* account, and hence will be closed precisely like *Cash.* The debit side shows the amount of other persons' notes and acceptances received by us, and the credit side shows the amount of such notes and acceptances disposed of. The difference must be the amount of Bills Receivable on hand.

Close on credit side in red ink *Feb. 28, Balance.* Rule up and foot. Bring the balance down in black ink upon the debit side.

BILLS PAYABLE

This is a *Real* account. It is credited with our notes and acceptances issued and debited as they are redeemed. It follows that the difference between the two sides must represent the amount of such obligations outstanding, and the difference, if any, must, in closing, be entered upon the debit side. Close to *Balance.* Rule up and foot. Bring the balance down upon credit side in black ink.

J. V. FARWELL & CO.

The debit side of a Personal account shows what the individual owes the firm and the credit side shows what the firm owes him. The balance, then, is always a debt due the firm or a debt owing by the firm, viz.: a resource or liability. If the Dr. side exceeds the Cr., the difference shows a resource, and conversely, if the Cr. side exceeds the Dr., the difference shows a liability. It is closed to *Balance. (Close all personal accounts in this manner.)*

STATEMENT

Having closed the books, it now becomes necessary to make an exhibit of the condition of the business. This is called a *Statement* and should show in a compact form the resources and liabilities of the business; the gains and losses with the sources from which they are derived, and the net capital or net insolvency of the proprietor or partners of the business. The facts from which this Statement is made are gathered from the Ledger, and consist of: 1. All balances brought down. 2. The Loss and Gain account. 3. The proprietor's account. Debit balances are resources, and credit balances are liabilities. The difference between the resources and liabilities shows the net capital or net insolvency of the proprietor or firm, which must agree with the proprietor's account, in the Ledger, and also with the last result in the Statement.

After completing your Statement, present all of your books and papers to the teacher for approval.

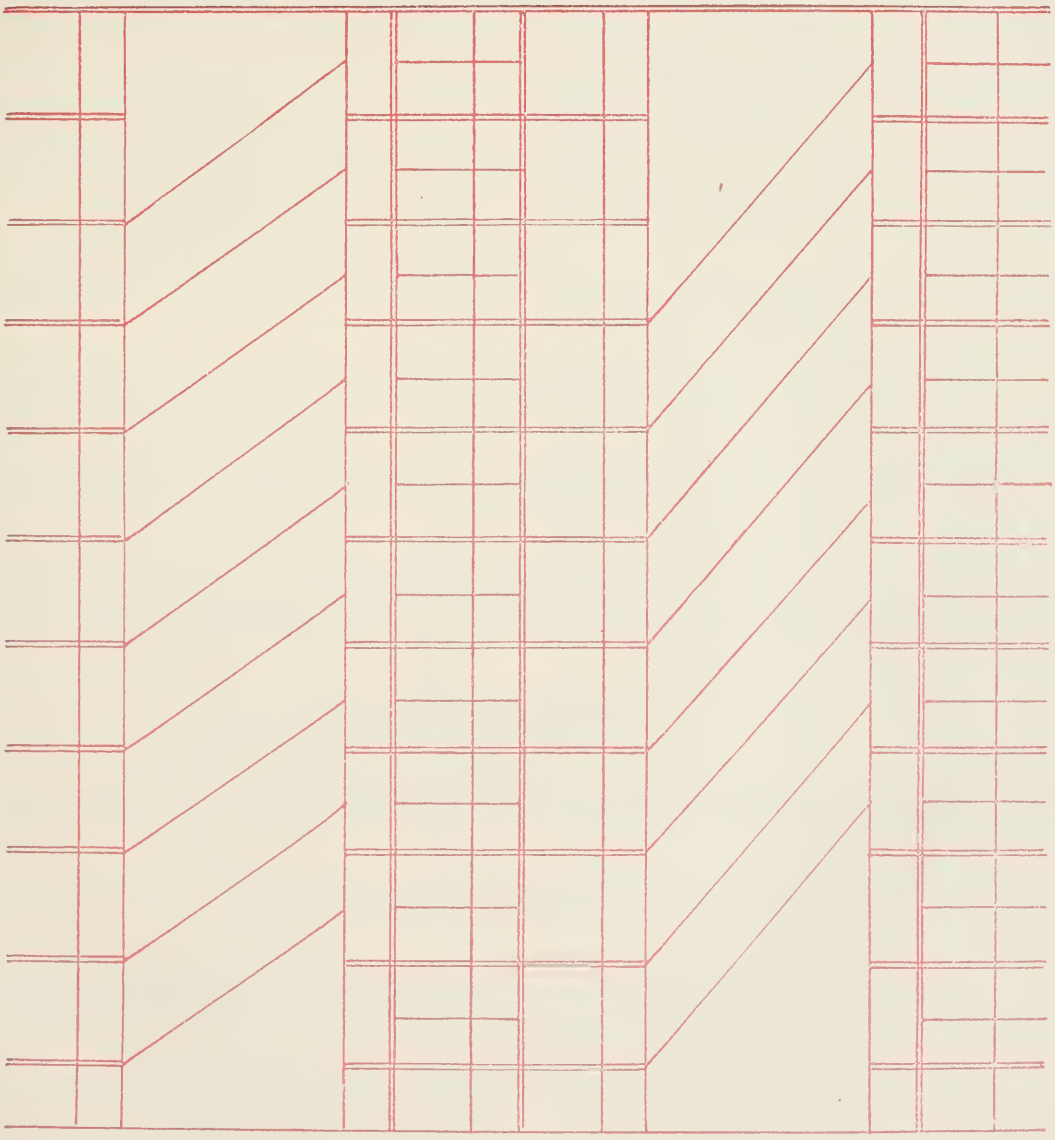
Statement, Feb. 28, 19—.

	Resources			
1	Merchandise, per Inventory	448 75		
1	Real Estate, per Inventory	4000		
2	Cash	721 90		
2	Bills Receivable	400		
	W. O. Thomas	67 50		
	G. B. Fairchild	15 25		
	Henry Russell	156 50		
	F. E. Arnold	30		
	Total Resources			5839 90
	Liabilities			
2	Bills Payable	2176 25		
	J. V. Farwell & Co.	31		
	Total Liabilities			2207 25
	Net Capital			3632 65
	Gains			
1	Merchandise	246 75		
	Total Gains			246 75
	Losses			
1	Real Estate	18 30		
1	Expense	95 80		
	Total Losses			114 10
	Net Gain			132 65
1	Student Net Investment	3500		
	Net Gain	132 65		
	Net Capital			3632 65

PRACTICE IN RULING

NEAT and accurate ruling is essential to a well-kept set of books, and especially is this important in the Ledger. To be able to draw light, uniform lines, beginning and ending at precisely the proper points, requires much practice. Place the ruler as shown in the drawing with the bevel side down, hold the pen at right angles with the ruler, and draw a steady line with very slight shading.

The student should rule one or more sheets similar to the following and present them to the teacher for inspection and approval.



EXERCISE XV

To the Student: Write up the Journal for the following transactions and have it approved:

TRANSACTIONS

March 1, 19—. Robert Clark commenced business this day with a cash capital of $4500.

March 1. Bought of Sprague, Warner & Co., for cash, 500 lb Butter at 27¢, $135; 150 lb Maple Sugar at 15¢, $22.50; 75 lb Black Tea at 40¢, $30; 50 lb Java Coffee at 18¢, $9; 800 doz. Eggs at 15¢, $120. Total $316.50.

March 2. Bought of A. M. Trimmer, on my note at 20 days, 100 bbl. Winter Wheat Flour at $5.50, $550; 140 bbl. Apples at $1.75, $245; 300 bu. Peach Blow Potatoes at 60¢, $180. Total $975.

March 4. Sold C. E. Rogers, Cincinnati, Ohio, on account, 100 lb Butter at 30¢, $30; 25 bbl. Winter Wheat Flour at $6, $150; 40 bbl. Apples at $2, $80. Total $260.

March 6. Bought of J. G. Cross, Aurora, on account, 100 boxes California Grapes at $3.75, $375; 20 boxes Lemons at $9, $180; 8 bu. Cranberries at $3.25, $26. Total $581.

March 8. Sold to E. D. Graham, Baltimore, on account, 40 lb Maple Sugar at 20¢, $8; 30 lb Black Tea at 50¢, $15; 200 doz. Eggs at 18¢, $36; 50 bbl. Winter Wheat Flour at $6, $300. Total $359.

March 9. Paid J. G. Cross cash on account, $200.

March 10. Sold to Geo. W. Hamilton, Detroit, Mich., on account, 300 lb Butter at 30¢, $90; 50 lb Java Coffee at 22¢, $11; 100 bu. Peach Blow Potatoes at 75¢, $75. Total $176.

March 13. Paid A. M. Trimmer, cash, on my note of the 2d inst., $600.

March 14. Received from C. E. Rogers his note at 20 days for $160, to apply on account.

March 16. Bought of J. C. Warren, Burlington, Iowa, on account, 10 bags Wilmington Peanuts, 1500 lb, at 5¢, $75; 5 bbl. White Fish at $8, $40; 50 boxes Herring at 25¢, $12.50; 20 lb Cloves at 40¢, $8; 40 lb Pepper at 20¢, $8. Total $143.50. Paid cash for freight on same, $9.75.

March 18. Received of C. E. Rogers, on account, his check, which I have remitted to J. G. Cross to apply on my account. Face of check, $75.

March 19. Sold to E. D. Graham, Baltimore, on account, 100 lb Butter at 30¢, $30; 45 lb Black Tea at 50c, $22.50; 400 doz. Eggs at 17¢, $68; 25 bbl. Winter Wheat Flour at $6.25, $156.25. Total $276.75.

March 19. Sold to A. D. Bower, Milwaukee, 25 boxes California Grapes at $3.75, $93.75; 20 boxes Lemons at $9, $180. Total $273.75. Paid freight and drayage on same, $7.25.

March 20. Received from E. D. Graham his note for $150, to apply on account.

March 21. Sold to C. E. Rogers, Cincinnati, Ohio, on account, 100 bu. Peach Blow Potatoes at 75¢, $75; 5 bu. Cranberries at $3.50, $17.50; 10 bags Wilmington Peanuts, 1500 lb, at 6¢, $90. Total $182.50.

March 22. C. E. Rogers' note of the 14th inst. is due today. He remits his check. Face of note, $160.

March 22. Paid cash in full for my note of the 2d inst., favor of A. M. Trimmer. Balance due on note, $375.

March 26. Sold to Geo. M. Reynolds, St. Louis, Mo., on account, 100 bu. Peach Blow Potatoes at 80¢, $80; 100 bbl. Apples at $2, $200. Total $280.

March 26. Received cash of E. D. Graham, Baltimore, on account, $100.

March 27. Paid cash for clerk hire to date, $75.

March 27. Received from Geo. M. Reynolds, to apply on account, his note for 30 days, payable at Union National Bank, for $100, and his check on Union National Bank for $100.

March 28. Bought of Robert Law, for cash, 5 tons of Coal at $6.25, $31.25, for use in store.

March 30. Received of A. D. Bower, Milwaukee, bank draft for $200, to apply on his account.

March 31. Sold to C. E. Rogers, Cincinnati, Ohio, on account, 200 doz. Eggs at 16¢, $32; 75 boxes California Grapes at $4, $300. Total $332.

Business Papers required for March:

Invoice of Sprague, Warner & Co., March 1, properly receipted.

C. E. Rogers' check, March 18. (See form on page 68.)

Geo. M. Reynolds' Note of March 27.

EXERCISE XVI

To the Student: Open the following Ledger accounts.

Always have a heading at the top of the page, and give not less than the designated number of lines to each account. Addresses of personal accounts should be written in the headings, as illustrated on page 23.

Robert Clark, Proprietor, 8; Merchandise, 14; Expense, 8; Cash, 14; Bills Receivable, 8; Bills Payable, 8; J. C. Warren, Burlington, Iowa, 8; C. E. Rogers, Cincinnati, Ohio, 8; J. G. Cross, Aurora, Ill., 8; G. W. Hamilton, Detroit, Mich., 8; E. D. Graham, Baltimore, 8; A. D. Bower, Milwaukee, 8; George M. Reynolds, St. Louis, 8; Loss and Gain, 8.

EXERCISE XVII

To the Student: Post the Journal entries to the Ledger accounts as given for March. First post all debit items, then post all credit items. See posting directions on page 33.

EXERCISE XVIII

To the Student: 1. Take a trial balance as per instructions on page 36.

2. Test your trial balance with the following results:

Cash on hand	$3445.25
Bills Receivable on hand	250.00

3. Have trial balance approved.

INVENTORY OF PROPERTY UNSOLD, MARCH 31, 19–

110 lb Maple Sugar,	@	$0.15	16	50		
3 bu. Cranberries,	@	3.25	9	75		
5 bbl. White Fish,	@	8.00	40	00		
50 boxes Herring,	@	.25	12	50		
20 lb Cloves,	@	.40	8	00		
40 lb Pepper,	@	.20	8	00		
					94	75
4 tons Coal,	@	6.25			25	00

EXERCISE XIX

To the Student: Read instructions for closing the Ledger on page 40.

Observe following steps in finishing March:

First, Credit Merchandise account, *Mar. 31, Inventory, $94.75;* credit Expense account, *Mar. 31, Inventory, $25.*

Second, Close the following accounts to Loss and Gain account: Merchandise and Expense.

Third, Close Loss and Gain account to the Proprietor's account. First test the account. When the Proprietor's account is closed, it should show a Balance of $4627.75 If correct, transfer the loss and gain difference to the credit of the Proprietor's account. As you close Merchandise and Expense accounts and transfer the loss and gain item to Loss and Gain account, rule up the accounts and bring down on the debit side the "Inventory." Now close the following accounts to Balance and bring down the Balances: Cash, Bills Receivable, Bills Payable, and all accounts with persons.

Fourth, Take a trial balance of the Balances brought down. These Balances constitute your resources and liabilities, and they must balance.

Fifth, Make out a Statement as per form on page 46.

JOURNALIZING—Continued

EXERCISE XX

DRAFTS AND BILLS OF EXCHANGE

A **Draft** is a written order or request drawn by one person upon another, requesting that person to pay a specified sum of money to a third person. This paper or instrument is also known as an Order, a Bill of Exchange, and sometimes simply as Exchange.

Bills of Exchange are, in effect, drafts. The name is usually applied to drafts in which the party drawn upon resides in a foreign state or country.

The original **Parties** to a draft are the *Drawer, Drawee* and *Payee.*

The **Drawer** of a draft is the person who signs it and thus requests the payment of the money.

In the draft given on the opposite page A. B. Saunders & Co. is the drawer.

The **Drawee** is the person on whom the draft is drawn, or who is to pay the sum of money specified.

In the draft given on the opposite page Wolf Bros. is the drawee.

The **Payee** is the person to whom the money is made payable by the draft.

In the draft given on the opposite page J. A. Stephens is the payee.

The **Theory of a Draft** is that the drawee has funds in his possession belonging to the drawer, or is owing the drawer. Drafts are sometimes drawn where there is no indebtedness, but simply an agreement between the parties.

A **Sight Draft** is one which is payable "at sight" or upon presentation.

A **Time Draft** is one which is payable a specified time "after date," or after sight.

Time drafts have days of grace when promissory notes have them.

Acceptance. When a time draft is presented to the drawee, he signifies his willingness to pay it at maturity by "accepting" it. This is done by writing the word "*Accepted*," with the name and date across the face of the draft, usually in red ink The paper is thereafter called an "*Acceptance*," and becomes the same as the acceptor's promissory note.

To **Honor** a draft is to pay it if a sight draft, or accept it if a time draft.

$75. *Chicago, Ill., Aug. 1, 19—*

At ten days after sight.....*pay to*

J. A. Stephens.....*or order*

Seventy-five and $\frac{no}{100}$ .....*Dollars*

Accepted Aug. 3, 19— Wolf Bros. W

Value received and charge to the account of

To Wolf Bros.,
Springfield, Mass.

A. B. Saunders & Co.

The above is a time draft drawn by A. B. Saunders & Co. on Wolf Bros. in favor of J. A. Stephens.

The theory of this draft is that Wolf Bros. have funds in their possession belonging to A. B. Saunders & Co., and that the latter desire to transfer this fund or part of it to J. A. Stephens.

If this were to be accomplished without the use of the draft, Saunders & Co. would direct Wolf Bros. to send them the money; upon receipt of the same Saunders & Co. would send the money to Stephens. It will be seen that with the aid of the draft time is saved and the risk is lessened.

BOOKKEEPING PROBLEMS

I. *Given:*—1. *A owes you $500*, and he pays you $100 on account. What will you credit?

2. *As above*, but A pays $100 to B for you. What will you credit?

3. *As above*, but you write a letter to A asking him to pay C $100. What will you credit?

4. *As above*, but you draw a draft on A for $100 and send it to D. What will you credit?

5. *As above*, but you draw a draft on A for $100 and sell the draft to the bank for cash. What will you credit?

II. *Given:*—1. *B owes you $500.* He sends you his check for $100 to apply on account. What do you debit?

2. *As above*, but he sends you 75 bu. of wheat at 75¢ per bu. What will you debit?

3. *As above*, but he sends you his note for $100 to apply on account. What will you debit?

4. *As above*, but he sends you his draft on E for $100 to apply on account. What will you debit?

5. *As above*, but he sends you his draft at 10 days for $100 on F to apply on account. What will you debit?

III. *Given:*—1. *You owe C $500.* How does his account stand on your books?

2. *As above.* You send him cash to apply on account. What do you debit?

3. *As above.* You send him Mdse. to apply on account. What do you debit?

4. *As above.* You send him your note to apply on account. What do you debit?

5. *As above.* You tell him to call on G who will give him $100. What will you debit?

6. *As above.* C sends H to you for money and you give him $100. What will you debit?

7. *As above.* C draws on you at 10 days and gives draft to H who collects from you when due. What do you debit?

8. *As above.* C draws on you at sight and sells the draft to the bank. When you pay the draft, what will you debit?

FORM OF TIME DRAFT AND ACCEPTANCE

$500.00 Chicago, Ill., Aug. 1, 19—.

At thirty days sight pay to James Anderson or order Five Hundred 00/100 Dollars value received and charge to account of

To J. W. Hunter, Springfield, Ill. M. Snowden.

In Snowden's Journal:

In the above draft Snowden will receive value, say Mdse., when he issues the draft. He will therefore make the following entry:

Aug.	1	Mdse.,		500		
			J. W. Hunter,			500

In Anderson's Journal:

Anderson receives the draft from Hunter, say on account. He will make the following entry:

Aug.	1	Bills Rec.,		500		
			M. Snowden,			500

In Hunter's Journal:

Snowden has asked Hunter to pay to Anderson the amount called for. He accepts the draft and enters it as follows:

Aug.	5	M. Snowden,		500		
			Bills Pay.,			500

Test the above entries by the following rules.

From the foregoing explanations we have the three following rules covering drafts and acceptances.

To the Student: Journalize the following transactions on Journal paper.

DRAWER'S RULE

RULE VII.—*Whenever you draw a bill of exchange, draft or order on a person, credit that* ***person.*** *Debit what you* ***receive*** *as in other cases.*

May 1, 19—. Sold Henry Spencer for cash, my draft on J. W. Hunter for $500.

Cash is Dr. because we received it. J. W. Hunter is Cr. because he produced value to us.

May 2. Bought of F. E. Warner, 100 pc. Merrimac Prints at $3, $300. Gave in payment my draft on J. Berry.

May 3. Received cash of J. Andrews for my draft on A. Hosmer at 10 days' sight for $300.

May 4. Sold Henry Simmons on his note, my draft on W. F. Parsons for $450.

Bills Rec. Dr.

May 5. Paid my note for $500, favor of S. Bogardus, by giving sight draft on Geo. W. Myers.

PAYEE OR INDORSEE'S RULE

RULE VIII.—*Whenever you receive or purchase a draft or order drawn on another person, debit* ***Bills Receivable;*** *and when you dispose of it credit* ***Bills Receivable.***

May 6. Bought of John Simpson for cash, his draft on Louis Knight for $300.

May 8. Bought of S. Whitney his draft on Frank Jones for $800. Gave in payment my note for $500; cash for balance, $300.

May 9. Sold to S. M. Wicker, my draft on D. Thornton for $265. Received in payment cash, $120; his note for balance, $145.

May 10. Bought of W. B. Hoswell, for cash, his order on Hiram Pointer, $200.

May 12. Bought of S. Whitney, his draft on Frank Jones for $500. Gave in payment my note for $500.

May 12. Bought of Charles Warren, 30 bbl. Flour at $6, $180; 10 bbl. Pork at $10, $100. Total $280. Gave in payment W. B. Hoswell's order on Hiram Pointer for $200; cash for balance, $80.

DRAWEE'S RULE

RULE IX.—*Whenever a person draws a bill of exchange or draft on you which you honor, debit that* **person.** *Whenever you accept a bill of exchange or draft Cr.* **Bills Payable,** *and when you pay your acceptance Dr.* **Bills Payable.** *Accepting a draft is the same in effect as giving your note.*

May 13. James Williams has drawn on me at 10 days for $300. I have accepted the draft.

May 14. Bought of H. Thomas on my acceptance at 30 days, 30 pc. Broadcloth, 720 yd., at $2, $1440; 35 pc. Merrimac Prints, 1400 yd., at 10¢, $140. Total $1580.

May 16. Sold James Goodman on his acceptance at 30 days, 10 pc. Broadcloth, 200 yd., at $3, $600; 20 pc. Merrimac Prints, 800 yd., at 15¢, $120. Total $720.

May 17. Sold for cash, James Goodman's acceptance of the 16th inst. for $720.

May 18. Accepted L. A. Arnold's draft on me at 5 days' sight, favor of Henry Walker, for $500.

May 18. Sold J. W. Woodbury, 20 bbl. Flour at $6, $120; 10 bbl. Pork at $8.50, $85; 50 bbl. Salt at $2, $100. Total $305. Received in payment his draft at sight on A. A. Blair for $150; cash $50; balance on account, $105.

May 19. Paid cash for James Williams' draft on me, favor of J. W. Webster, accepted on the 13th inst., for $300.

May 20. Sold Henry Spencer on his note, 300 bu. Corn at 40¢, $120; 100 bu. Wheat at $1.50, $150. Total $270.

May 20. We owe L. H. Ames $200 on account. He has drawn on us at 30 days' sight, favor of L. J. Gage, for this amount, and we have accepted the draft.

May 21. Sold C. Lock, 100 bbl. Flour at $9, $900. Received in payment his draft, dated May 18, at 10 days' sight on J. Good, accepted by Good on May 20, for $500; cash for balance, $400.

May 21. Bought of John Davis & Co., 200 bu. Corn at 35¢, $70; 500 bu. Oats at 25¢, $125; 600 bu. Wheat at 50¢, $300. Total $495. Gave in payment our draft on sight on C. D. Holmes for $100; cash $100. Accepted their draft on us at 30 days' sight, favor J. Dean, for the balance, $295.

May 24. Received of L. J. Gage on account, the draft which we accepted on the 20th, his favor, for $200.

May 25. Bought on my note at 30 days, 300 bu. Corn at 40¢, $120; 80 bu. Wheat at $1.40, $112; 200 bbl. Salt at $1.50, $300. Total $532.

May 26. Sold Henry Clark on his acceptance, 100 bu. Corn at 50¢, $50.

May 27. Bought on my acceptance at 30 days, House and Lot on Michigan Avenue for $3500.

No. 1. *Chicago, May 28, 19—*

At ten days sight pay to the order of

A. C. Armstrong.....*$500*

Five Hundred.....*Dollars,*

and charge to account of

To J. N. Roe,
New York.

John Davis & Co.

May 28. Make John Davis & Co.'s entry for the above draft, supposing that they gave it to A. C. Armstrong on account.

May 29. Make A. C. Armstrong's entry when he receives it.

May 29. A. C. Armstrong presents the draft to J. N. Roe and has it accepted. Make Roe's entry.

May 30. A. C. Armstrong now delivers the draft to Claflin & Co. on account. Make Armstrong's entry.

May 30. What entry will Claflin & Co. make?

May 30. At maturity the draft is presented and paid in cash. Make J. N. Roe's entry.

May 31. What entry will Claflin & Co. now make?

Write the acceptance and draft of May 21, inserting your own name at the proper place.

EXERCISE XXI

ACCOUNT WITH INTEREST

Interest is the *use of money*, or the measure of the net profit on capital.

The student must not get the idea that he receives or pays *interest*, but receives or pays *for* interest or for the use of money.

To the Student: Write up the following examples: Head one account W. Lyman, one George Mason, one Mdse., and one Cash. After which enter the following exercise in all the accounts involved, both debit and credit:

Example 1.—June 6, 19—, Bought a bill of goods amounting to $367.22 from Geo. Mason, on account. June 7, Sold a bill of goods to W. Lyman on account, amounting to $461.79. June 8, Sold a bill of goods amounting to $308.10 for cash. June 9, Paid Geo. Mason $100 cash on account. June 10, Received $167.50 cash on account from W. Lyman. June 11, Bought of W. Lyman on account a bill of goods amounting to $216.30. June 12, Sold a bill of goods for cash, $68.35. June 13, Bought for cash merchandise, $150. June 14, Sold Geo. Mason, on account a bill of goods amounting to $508.04. June 15, Geo. Mason has paid us $200 on account.

The cash balance is $***.95, Geo. Mason owes us $**.82, W. Lyman owes us $**.99. All the merchandise being sold, the gain is $***.76. Enter the balances in red ink and properly close the accounts.

EXERCISE ON INTEREST

In this exercise use for a heading "Interest," as below; after which enter the following interest items as either debit or credit:

DR. **INTEREST** CR.

19—						19—					
June	1	*Cost*, - -		24		June	2	*Produced*, - -		12	50
	3			***	**						

EXAMPLE 2.—June 1, 19—, Paid cash for interest due on my note, $24. (Dr. Interest.) June 2, Received cash for interest due on Smith's note, my favor, $12.50. June 3, Paid Jones & Co. cash for interest due on my note, $141.63. June 5, Paid cash for interest on mortgage on my store, $243. June 6, Jones & Bros.' note, my favor, for $900, has interest due amounting to $54, received cash for the interest. (Cr. Interest $54.) June 7, I owe Smith & Co. $750, and to settle this give them my note for $790, charging the difference to interest account. June 10, A. B. Jones owes me $900, and to pay this gives me a note secured by J. A. Lyons for $1000, the difference being allowed as interest. June 15, O. E. Grant paid his note of $600 and interest, $25. June 17, Paid my note of 4th ult., amounting to $700 and interest due on same, $36.24.

The loss or gain on interest is $***.37.

The rule for debiting and crediting discount, premium, expense, etc., is the same as for interest.

QUESTIONS

1. Why do we debit interest?
2. Why do we credit interest?
3. What is the cost of interest in the above example?
4. What did the interest account produce?
5. What is the gain and how found?

EXERCISE XXII

JOURNALIZING INTEREST

RULE X.—*Debit* ***interest*** *when it costs you.*

RULE XI.—*Credit* ***interest*** *when it produces you.*

To the Student: Journalize the following transactions on Journal paper, and have your work approved:

June 1, 19—. Paid cash for the annual interest on my note, $29.

Interest is debited.

June 2. Received cash for interest on J. W. Strong's note, $8.50.

June 3. Bought of S. Bogardus on my note at 30 days, 240 bu. Potatoes at 30¢, $72.

June 4. Sold James Humes on his note at 60 days, 250 bu. Corn at 40¢, $100.

June 5. Received cash of J. Southard for his note and interest thereon to date. Face of note, $1000; interest, $10.50. Total $1010.50.

June 6. Paid cash for interest on my note at 10 days, favor of James Berry, $16.30.

June 9. Paid R. Warren cash for my acceptance, $500; interest on the same, $12. Total $512.

June 10. Sold Geo. Jones, Merchandise amounting to $500. Received in payment my note which I gave Wm. Harrison, $300; interest due and allowed on the same, $10; balance in cash, $190.

June 11. The note given May 9 is now due in favor of J. Mershon. Face of note, $400; interest, $3.75. Total $403.75. I have paid for same with new note for full amount, $403.75.

June 12. Bought of J. Walters, bill of goods for $2000. Paid him for the same his note at 3 months for $1000; interest due on the same to date, $50; my note at 30 days for $450; cash for balance, $500.

June 13. J. Denney's note of the 3d is now due. Face of note, $700; interest on the same to date, $2.50. Total $702.50. Received for same new note at 30 days, $702.50.

June 17. Paid my note, favor of J. Gould, for $800; interest due and allowed on same, $60. Gave in payment James Berry's note for $600; interest on above note, $20; cash for balance, $240.

June 21. Paid cash for my acceptance with interest. Face of acceptance, $500; interest, $20. Total $520.

Write the note of June 4, interest 6%, payable at First National Bank.

EXERCISE XXIII

ACCOUNTS WITH PREMIUM AND DISCOUNT

Premium is a sum paid for the value of commercial paper, usually drafts, above their face.

Discount is a sum allowed or deducted from the face value of commercial paper.

Thus, when drafts upon any city or country are in unusual demand by reason of a general movement of crops or goods in a certain direction, drafts upon such city or country will sell at a premium. And when the reverse conditions prevail, drafts may be bought at a discount.

Premium and **Discount** may also be called species of interest, in which premium is a sum paid in addition to the principal or debt; and discount is an allowance deducted from the principal for the payment before it is due.

EXAMPLE 1.—July 1, 19—, Paid for premium on draft at bank, $3.40. July 2, Bought bank draft for $1000, paying a premium of $1.75. July 3, A. B. Jones sent us a draft at a premium of $3. July 5, Sent draft bought on 2d inst. to J. W. White at a premium of $2.40.

Trace above items through the following account:

PREMIUM

19— July	1	*Cost,* - -		3	40	19— July	5	*Produced,* -		2	40
	2			1	75		5	Loss & Gain, -		5	75
	3			3							
				8	15					8	15

In the following example open an account with Premium and one with Discount.

EXAMPLE 2.—July 2, 19—, Paid for premium on bank draft, $1.65. July 3, John Doe sent me draft on account at a premium of $3.25. July 5, Bought bank draft at a discount of $1.75. July 6, Sent bank draft purchased on 2d inst. to Richard Roe on account at a premium of $1.95. July 7, Sent bank draft purchased on 5th inst. to A. Brown at a premium of $1.25. July 9, Received on

account from J. P. Frye a bank draft at a premium of $1.85. July 12, Received on account from F. D. Meacham a bank draft at a discount of $5.40. July 15, Bought bank draft for $1000 at a discount of $1.50, and sent it to H. A. Court at a premium of $1.25.

Date the closing of these accounts July 25, and have them approved.

EXERCISE XXIV

JOURNALIZING PREMIUM AND DISCOUNT

To the Student: Journalize transactions for July and have the same approved.

RULE XII.—*When you pay more for a draft or note than its face, Dr.* **Premium** *for the excess. When you receive more for a draft or note, Cr.* **Premium** *for the excess.*

RULE XIII.—*When you pay less for a draft or note than its face, Cr.* **Discount** *for the deficiency. When you receive less for a draft or note than its face, Dr.* **Discount.**

Note.—Review carefully the rules for drafts given in Exercise XX. Do not fail to apply the following: Always debit the person who draws on you; always credit the person on whom you draw.

July 1, 19—. Bought of D. S. Dow, Mdse. amounting to $1500. Accepted his draft on me at 60 days for same, $1500.

See second clause of Rule IX.

July 2. Bought of R. Brooks & Co. for cash, bank draft on New York at 1/10% premium. Face of draft, $1000; premium, $1.00. Total $1001.

See Rule XII. A bank draft is considered as cash.

July 3. Sold for cash to J. R. Penn, my draft on L. Johnson, Cleveland, at ⅛% premium. Face of draft, $400; premium at ⅛%, $0.50. Total $400.50.

See Rules VII and XII.

July 3. Have this day drawn on J. W. Webster at 10 days, and discounted the same at Union Bank. Face of draft, $1000; cash received, $998.33; discount off, $1.67.

July 5. Bought of S. D. Thompson, merchandise amounting to $8000. Paid him for same, my draft on R. Martin at ¼% discount. Face of draft, $1000; discount on same, his favor, $2.50; the balance I owe him on account, $7002.50.

Discount Dr. R. Martin Cr. $1000.

July 6. Bought of D. Swansey & Co. for cash, bank draft on New York at 1/10% premium, which I have remitted to S. D. Thompson on account. Face of draft, $2500; premium at 1/10%, $2.50. Total $2502.50.

Premium Dr.

July 8. Drew draft at sight on S. Shaw for $2000, and sent draft to S. D. Thompson on account at a premium of $2.

Cr. S. Shaw $2000.

July 9. Bought of Commercial Bank for cash, their sight draft on New York at ⅜% premium, and remitted same to S. D. Thompson on account. Face of draft, $2000; premium at ⅜%, $7.50. Total $2007.50.

July 11. Bought of R. Brown, an invoice of Mdse. amounting to $4000. Paid him for same with my draft on James Walters, Boston, at ¼% discount. Face of bill, $3000; discount off, $7.50; cash for balance, $1007.50.

Dr. Mdse. because received; Dr. Discount, because we "threw off" the sum, hence a loss; Cr. James Walters, because we drew on him, asked him to pay for us; Cr. Cash, because paid out.

July 12. I have this day taken up my acceptance, favor of D. S. Dow, dated 1st inst., at 60 days. Face of draft, $1500. Paid in cash, $1485; discount off at 1%, $15.

July 13. Exchanged notes with R. Davis, for our mutual accommodation, each drawn at 30 days, for $500. I have discounted his note at Traders' National Bank. discount off, $5.00; net proceeds received in cash, $495.00.

This may be made in one or two entries:

Bills Rec.	$500	
Bills Pay.		$500
Cash	$495.00	
Discount	5.00	
Bills Rec.		500

Since Bills Receivable is both debited and credited in the same transaction, it may be cancelled, and the entry would appear as follows:

Cash	$495.00	
Discount	5.00	
Bills Pay.		$500

The two-entry plan is to be preferred.

July 14. Received of Martin & Co., New York, their note in full for balance due on account at 90 days, dated June 25, which I have discounted in Commercial Bank at 6%. Face of note, $2000. Received cash, $1976.33. Discount off $23.67.

Martin & Co., Cr.

July 15. Sold Johnson & Co. Mdse. amounting to $900. Received in payment their draft at sight on Fuller & Co., Detroit, for $450; their note at 10 days for $450. Total $900.

July 16. Paid Wm. Henderson on account the following draft at 1% discount:

$250. (*City and State*) *July 16, 19—*
At sixty days sight.....*pay to*
Wm. Henderson.....*or order*
Two Hundred Fifty.....*Dollars*
Value received and charge to account of
To S. M. Moore, *Student.*
Cincinnati, O.

Explanation.—First, you paid some one on account; debit that person. Second, you drew on some one; credit that person. Third, did discount cost or produce value? We passed the draft out at a discount; we must have lost. Then it should be debited.

Write the draft and note of July 15; interest on note 5%, payable at their office.

EXERCISE XXV

ACCOUNTS WITH SHIPMENTS AND CONSIGNMENTS

Shipment is a term applied to goods shipped away for sale on commission.

Merchants frequently find a portion of their stock unsalable. Perhaps they have over-purchased, or the goods are going out of season, or have become damaged or "shop-worn." In order to dispose of such stock and make room for new goods, they are sent to a commission merchant in any locality where the market for such goods may be favorable, to be sold on commission.

Consignment is a name given to goods *received* to be sold on commission.

Thus the *shipper* of the goods calls them a *shipment*, while the *receiver* of the goods, who is usually a commission merchant, calls them a *consignment*.

The **Consignor** is the shipper.

The **Consignee** is the person or firm to whom the goods are shipped.

Goods received for sale on commission are said to be *consigned*.

Goods shipped away for sale on commission still remain the property of the shipper, and hence we can not debit the consignee for their value. Thus a shipment differs from a sale. "For account and risk" of the consignor, signifies that the goods are still his property.

An **Account Sales** of a shipment is a statement rendered by the consignee to the consignor, showing the amount of sales, charges and net proceeds.

The **Net Proceeds** is the balance after all charges have been deducted from the total sales.

A **Shipment on Joint Account** is where the commission merchant agrees to share the profits or losses on the shipment with the consignor.

The object of this arrangement is to stimulate the consignee to greater care and vigilance in effecting sales. However, such shipments are rare in business.

To distinguish different shipments the name and address of the person to whom shipped is generally used.

SHIPMENTS

Aug. 1, 19—, Shipped to C. H. Hunter, Burlington, Iowa, to be sold on my account and risk, 100 bu. Peaches at 75¢, $75; paid freight on shipment, $8.75. Aug. 10, C. H. Hunter reports a partial sale, and sends us $50 on account. Aug. 15, C. H. Hunter reports that he has sold the remainder of the shipment, and that after taking out for insurance, drayage and commission, the balance due us is $53.75, which he remits in a bank draft.

Trace entries through following Ledger form:

SHIPMENT TO C. H. HUNTER — **Burlington, Ia.**

19— Aug.	1	*Cost*, - -		83	75	19— Aug.	10 15	*Produced*, -		50 53	75

QUESTIONS

1. What did the shipment cost?
2. What did the shipment produce?
3. What is the gain?
4. Why do we ship goods as in this case?

EXERCISE XXVI

JOURNALIZING SHIPMENTS AND CONSIGNMENTS

To the Student: Read over the introductory matter and journalize the transactions for August and have them approved.

RULES FOR SHIPMENTS

RULE XIV.—*When you ship goods away to be sold on commission, debit* ***"Shipment to Person's Name and Address"*** *for the cost of* **Mdse. and charges,** *and Cr. what you dispose of, as in other cases.*

Special attention is called to the fact that in the above rule Shipment, etc., is debited for not only the cost of the Mdse., but also for the charges, which usually consist of freight, cartage, insurance, etc. The object is to ascertain what the entire shipment has cost us, and hence all such charges must be added to the value of the Mdse. to find the amount for which the Shipment should be debited.

RULE XV.—*When the Shipment is sold and the seller or consignee sends you an Account Sales, Dr. what you* **receive** *and Cr.* ***"Shipment to Person's Name and Address"*** *for the net proceeds.*

In shipments on joint account debit the Consignee for one-half (or other portion) of the goods, debit *Shipment, etc.*, for the remainder and credit what is disposed of.

Aug. 1, 19—. Shipped to R. Williams, Milwaukee, to be sold on my account and risk, 400 bbl. Flour at $5, $2000.

According to Rule XIV. this entry will appear as follows:

Aug.	1	Shipt. to R. Williams, Milwaukee,	2000			
		To Mdse.,			2000	

Aug. 2. Shipped per steamer Lora, and consigned to Scott & Co., Buffalo, to be sold on my account and risk, 2500 bu. Wheat at 80¢, $2000; 600 bu. Corn at 40¢, $240. Total $2240.

Aug. 3. Shipped per C. B. & Q. R. R. to A. S. Davis, Aurora, to be sold on my account and risk, 100 bbl. Pork at $8.

Aug. 8. Received of R. Williams, Milwaukee, an Account Sales of 200 bbl. Flour, shipped him the 1st inst. Net proceeds, which he owes me on account, $1245.

See Rule XV.

Aug. 9. Shipped to J. B. McClure, Cleveland, O., to be sold on joint account, each one half, 1000 lb Dairy Cheese at 15¢, $150; 80 firkins Creamery Butter, 440 lb, at 20¢, $88. Total $238.

Debit "*Shipment J. B. McClure, Cleveland,*" for one half, and debit "*J. B. McClure*" for the remaining half.

Aug. 10. Shipped per I. C. R. R. and consigned to Hill & Wood, New Orleans, for sale on my account and risk, 200 bbl. Minnesota Flour at $6, $1200; paid cash for freight and drayage on same in advance, $45. Total $1245.

Aug. 13. Shipped per steamer Detroit, and consigned to J. Lawrence & Co., Boston, to be sold on my account and risk, 120 bbl. Flour at $5, $600; also sold them on their order, 100 bbl. Flour at $5, $500. Total $1100.

When you ship goods per another man's order, debit him. Shipment of goods in response to an order is a sale. Two debits and one credit.

Aug. 14. Received a telegram that the unsold remainder of our shipment to Milwaukee was destroyed by fire in the warehouse of R. Williams. The Flour was insured in the Home Insurance Co. to the amount of $800.

Since our loss will exceed the above amount, we shall hold the Insurance Co. for the face of the policy.

Aug. 16. Shipped by R. R. to H. Windsor, St. Paul, to be sold on my account, 150 bbl. Flour from store, at $5, $750; also per his order, 100 tierces Beef at $12, $1200.

Aug. 17. Discounted at bank our sight draft on R. Williams at 1%. Face of draft, $1245. Discount, $12.45. Cash received, $1232.55.

Aug. 23. Received of H. Windsor, St. Paul, an account sales of 150 bbl. Flour, shipped on the 16th inst. Net proceeds, $825. Received in full for same, invoice of Coffee, $825; paid cash for freight, $54. Total $879.

Debit Mdse. for the freight.

Aug. 25. Received cash of Home Insurance Co., in settlement of loss on Flour shipped to R. Williams on the 1st inst., $800.

Aug. 26. Received in the morning's mail the following account sales:

OMAHA, NEB., AUG. 25, 19—

Account Sales of Butter and Cheese.
Sold for Account of Student.

JAMES SEXTON, Commission Merchant.

19—							
Aug.	21	20 tubs Butter,	2020 lb., 18¢,	363	60		
	23	300 bx. Cheese,	11940 lb., 9¢,	1074	60		
	25	10 tubs Butter,	1010 lb., 20¢,	202			
						1640	20
		CHARGES.					
Aug.	21	Freight, 16.25, Cartage, 3.00,		19	25		
	25	Commission 5%,		82	01	101	26
		Net Proceeds.				1538	94
		E. & O. E.					

RULES FOR CONSIGNMENTS

RULE XVI.—*When property is received for sale on commission, make the* ***person's consignment*** *Dr. for the charges paid if any, Debit it for subsequent charges, and finally for the net proceeds.*

RULE XVII.—*Credit the* ***person's consignment*** *for all sales of property belonging to it.*

Aug. 26. Received of John F. King, Los Angeles, Cal., 50 boxes Oranges, for sale on his account and risk. Paid freight on same in cash, $12.

According to Rule XVI the above entry will appear as follows:

Aug.	26	John F. King's Consignment,		12		12	
			Cash,				

Aug. 28. Sold for cash, 50 boxes Oranges belonging to John F. King's Consignment at $3.50, $175.

According to Rule XVII we credit John F. King's Consignment. Were we to credit Mdse. it would indicate that we had sold our own goods. The entry will stand as follows:

Aug.	28	Cash,		175		175	
			John F. King's Consignment,				

Aug. 28. Our commission at 5% on the sale of 50 boxes Oranges is $8.75.

Under Rule XVI we debit John F. King's Consignment for this as for other charges, and we credit Commission because it produced value.

Aug. 28. Rendered John F. King an account sales of his 50 boxes Oranges. Net proceeds we have remitted in cash, $154.25.

Debit John F. King's Consignment.

Write the account sales for the above transaction.

EXERCISE XXVII

ACCOUNT WITH EXPENSE AND A REVIEW

Expense is a name given to all amounts expended for the purpose of carrying on the business.

Profit and Loss includes all items of direct or immediate loss to the business, such as goods stolen or destroyed by fire, etc.

EXAMPLE 1.—A merchant paid the following amounts for the purpose of carrying on his business. Sept. 1, 19—, Paid rent for month, $75. Sept. 3, Paid for blank books, $15.75. Sept. 7, Paid clerk hire for week, $16.50. Sept. 8, Paid taxes on store building, $24.75. Sept. 11, Paid premium for insurance on goods, $25. Sept. 15, Paid for 5 tons of coal, @ $5 per ton, $25. Sept. 24, Paid clerk hire to date, $36.75. Sept. 30, Sold 2 tons of coal bought at cost price.

Complete Example 1 and write up the following one and have them approved.

EXPENSE

19—						19—					
Sept.	1			75		Sept.	30			10	
	3			15	75		30	Loss & Gain, -		***	**
	7			16	50						
	8			**	**						
	11			**							
	15			**							
	24			**	**						
				218	75					218	75

EXAMPLE 2.—Sept. 1, 19—, Paid for rent of store for month, $125. Sept. 2, Paid for calcimining store room, $23.60. Sept. 5, Paid for 10 tons coal @ $7, $70. Sept. 10, Paid gas bill for month, $1[illegible].16. Sept. 12, Paid for postage stamps, $10. Sept. 15, Paid advertising bill, $15.30. Sept. 16, Sold postage stamps for $4.50. Sept. 20, Paid clerk hire to date, $60.40. Sept. 24, Sold 4 tons coal at cost. Find the loss on Expense account, there being supplies on hand valued at $40.

Write Ledger headings for the following: Cash, 10 lines; Mdse., 10 lines; Expense, 6 lines; Bills Rec., 6 lines; Bills Pay., 6 lines, and Interest, 6 lines.

EXAMPLE 3.—Sept. 1, 19—, Borrowed at bank $750, for which I gave my note at 10 days with interest. Sept. 2, Paid cash for books and stationery for use in business, $36.50 (Dr. Expense).

Sept. 3, Bought of Lyons & Co. bill of goods amounting to $1260.75, for which I gave my note with interest. Sept. 4, Paid cash for freight on Mdse., $42.63. Sept. 5, Sold A. B. Jones bill of goods amounting to $321.10, for which he gave us his note with interest. Sept. 7, Sold O. E. Grant bill of goods for cash, $124.36. Sept. 10, Paid cash to apply on my note of 1st inst., $250. Sept. 11, Paid cash for advertising, $21.50 (Exp.). Sept. 12, Sold bill of goods for interest-bearing note, $321. Sept. 20, Paid cash for balance of note given 1st inst., face $500, interest on the same $7.50. Sept. 21, Bought bill of goods amounting to $426, for which I gave my note. Sept. 22, Sold bill of Mdse. amounting to $975.50, receiving cash $700 and a note for $275.50. Sept. 23, Collected cash of A. B. Jones for his note and interest, face of note $321.10, and interest on same, $3.24. Sept. 24, Paid cash for my note and interest, face of note, $1260.75, interest on the same, $18.26. Sept. 25, Sold balance of Mdse. on hand for cash, $827.65.

You are now ready to close these accounts. Before doing so test your work to see if you omitted anything, by making out a

		TRIAL BALANCE	Dr.		Cr.	
19—						
Sept.	30	Cash,	***6	35	***7	14
		Mdse.,	****	*8	****	*1
		Expense,	5*			
		Bills Rec.,	***	60	***	**
		Bills Pay.,	****	75	24**	**
		Interest,	**	7*	*	*4
			74**	84	74**	84

If the debit and credit columns have equal footings, your work is probably correct. You may now close the accounts. Close "Cash," "Bills Pay." and "Bills Rec." by writing, in red ink, the date, "Balance," and the difference between the two sides on the smaller side. Rule up these accounts and bring down the balance. Close "Mdse.," "Expense" and "Interest" by using the words "Loss and Gain" instead of the word "Balance." Rule up these accounts, but do not bring down the difference.

QUESTIONS

1. Why does a trial balance balance?
2. Will the balances brought down on the debit side equal the balances brought down on the credit side? Why?

EXERCISE XXVIII

JOURNALIZING EXPENSE AND PROFIT AND LOSS

To the Student: Read the introductory matter and then journalize the following transactions.

Rule XVIII.—*Debit* **Expense** *for all expenses incurred by the business, such as employees' salaries, rent, fuel, books and stationery.*

Were it desired to keep a more detailed record, this could be done by keeping an account with Advertising, Salaries, Rent, etc.

Rule XIX.—*Debit* **Profit and Loss** *for all immediate losses, and credit it for all immediate gains.*

If an article which has been charged to Expense or Profit and Loss, is afterward sold, such account must be credited for the amount of the sale.

Sept. 1, 19—. Bought of J. Cook & Co. for cash, set of books for store, for $15.50.

Expense is debited.

Sept. 2. Rented store on State Street, paying cash in advance for one month's rent, $250.

Sept. 3. James Allen having failed, has compounded with me at 50%. Received cash, $300; lost the remainder, $300. Total $600.

Sept. 5. Paid David Spencer, clerk, cash for one month's services, $100.

Sept. 6. We found this morning that our store was entered in the night by burglars, who stole cash, $200; sundry articles of Dry Goods amounting to $75. Total $275.

Profit and Loss Dr.

Sept. 9. The thieves who entered our store having been arrested, the officers have returned to us cash, $50; also goods amounting to $45. Total $95.

Cr. Profit and Loss. Why?

Sept. 10. Paid my note, favor of Henry Simpson, by giving him a new note for $300, and paying him as an inducement, cash, $10.

Sept. 12. Paid cash for postage stamps, $8.

Sept. 15. Paid *Tribune's* bill for advertising to date, $75.

Sept. 18. H. Williams owes me on account $84; he having become insolvent, the amount is lost.

Sept. 18. Compromised with Henry Young, who has failed, he paying only 25% on his note of $500. Received in cash, $125; lost, $375.

Sept. 30. Having sub-let a portion of our store for the month of October, we have collected the rent in cash and issued the following

RECEIPT

$75.00 Chicago, Ill., Sept. 30, 19—.

Received of James C. Stone

Seventy-five and no/100 Dollars

for rent of part of Store for October.

Student.

In writing receipts for various purposes the last line may read, "in full," "in full of account," "to apply on account," etc., as the case may be.

Write the receipts for Sept. 30, "in full of account" in each case.

Sept. 30. Paid the following bills in cash: J. D. Harvey, for one month's rent of store, $250; Chicago Gas Co., for one month's light, $20; Chicago *Times* for advertising, $15. Total $285.

Sept. 30. Purchased of W. R. Hill & Co., on account, a quantity of office stationery for use in store, amounting to $35.

Sept. 30. Sold to Williams & Co., for cash, 1½ tons of Coal at $6.50, $9.75, from our winter's supply.

Sept. 30. The assignee of H. Williams having converted the assets into cash, has paid me a dividend of 25% of my claim, amounting to $21.

Since this item has been charged to Profit and Loss, we must now credit Profit and Loss for the amount received, as we consider it actually a gain.

Sept. 30. On examining our cash at night, we find a $20 counterfeit bill, received from an unknown customer.

Sept. 30. Sold for cash, Postage Stamps amounting to $1.60.

EXERCISE XXIX

JOURNALIZING PROPRIETOR'S ACCOUNT

To the Student: Read the introductory matter and then journalize the following transactions.

The **Proprietor** of a business must have an account opened with himself in order to show his relation to the business.

The term *Stock* is sometimes used instead of the proprietor's name.

Before a set of books can be opened a statement of Resources and Liabilities must be made. The proprietor is then to be credited with the amount of his resources. He will also be credited with any future investments which he may make, as they are made. He should be debited with his liabilities, at the commencement of business, and also for any amounts withdrawn from the business for private use.

The proprietor's account is very similar to any other personal account, and is to be treated upon the same principles. He is accountable to the business for every dollar which he takes out of it, and the business is accountable to him for every dollar which he has put into it. He is *not the business*, but a distinct and separate element or character, who merely *conducts the business.* He is therefore debited for amounts which *he owes the business* and credited for amounts which *the business owes him*, the same as any outside party would be.

RULE XX.—*Debit the different kinds of property invested, and credit the* **proprietor** *for the amount of his investment.*

RULE XXI.—*Debit the* **proprietor** *for the amount of his liabilities and for all amounts withdrawn for private use.*

The resources invested in a business must be debited, since they are received by the concern, and the liabilities must be credited, under proper titles, because they have produced these resources in whole or in part.

Oct. 1, 19—. Henry Smith commenced business this day with a cash capital of $3000.

Oct.	1	Cash,	3000		
		Henry Smith,			3000

Oct. 5. Geo. Walters commenced business with the following: Cash on hand, $1800; Mdse., $3400; Lyman Munger's note for $600; John Jenny owes on account, $150. Total $5950.

Oct. 6. Geo. Walters owes, on commencing business: Notes outstanding, $450; B. F. Munson on account, $180. Total $630.

Oct. 7. R. E. Parker commenced business this day with the following resources: Mdse. on hand, $1800; cash in bank, $750; Store and Lot valued at $2000. Total $4550. His liabilities are: David C. Cook on note, $400; Henry Simmons on account, $80. Total $480.

Debit the Resources and credit the proprietor for the full amount of his investment and debit him for his liabilities.

Oct. 8. R. E. Parker has this day paid in cash, Grocery bill for family amounting to $35.

Oct. 9. J. M. Barker's assets at commencing are: Cash, $3500; Mdse., $4800; notes against sundry persons, amounting to $1250, and an account against John D. Cooper for $675. Total $10225. His liabilities are: Outstanding notes amounting to $1875, and an account due Geo. W. Porter for $250. Total $2125

JOURNALIZING PARTNERSHIP ACCOUNTS

Each **Partner** in a business must have an account upon the books of the business in order to exhibit his relation to other partners and to the business.

When two or more persons enter into a co-partnership, a statement must first be made of the property to be invested by each. Each partner is then credited with the amount of his investment. He should also receive due credit for all future investments made by him.

If liabilities of any partner are assumed, at the opening of business, by the firm (which is not usually done), the partner should be charged with the amount of such obligation.

It will thus be seen that each partner's account in a co-partnership enterprise is treated in a similar manner to the account of a single proprietor, as previously explained.

RULE XXII.—*Debit the different kinds of property invested, and credit* ***each partner*** *for the amount of his investment.*

RULE XXIII.—*Debit* ***each partner*** *for his liabilities assumed by the firm and for withdrawals.*

When a partner *goes out* of the business we make exactly the reverse entry to that of an investment—debit him and credit the assets which he carries with him.

Oct. 14, 19—. M. Williams and James Turner have this day entered into partnership.

M. Williams invests: Cash on hand, $2000; Mdse. in store, $3000; bills receivable, $500. Total $5500.

James Turner invests: Cash in bank, $3000; account against John Doe, which the firm accepts, $1000. Total $4000.

Oct. 14. M. Williams has withdrawn cash for private use, $125.

Oct. 15. J. W. Webster and F. Durell have completed arrangements for the consolidation of their different mercantile pursuits. The style of the firm will be J. W. Webster & Co.

J. W. Webster invests his present stock of Hardware, valued at $8000; notes on hand, $575; cash on hand, $425. Total $9000. He owes the following debts which the firm assumes: Harrison Gardner, $300; bills payable, $500. Total $800.

F. Durell invests: Stock of Agricultural Implements, valued at $1800; notes on hand, $2500; cash, $3000. Total $7300.

Oct. 20. F. Durell has this day received a bequest from a deceased relative, cash, $1500, which he has invested in the business.

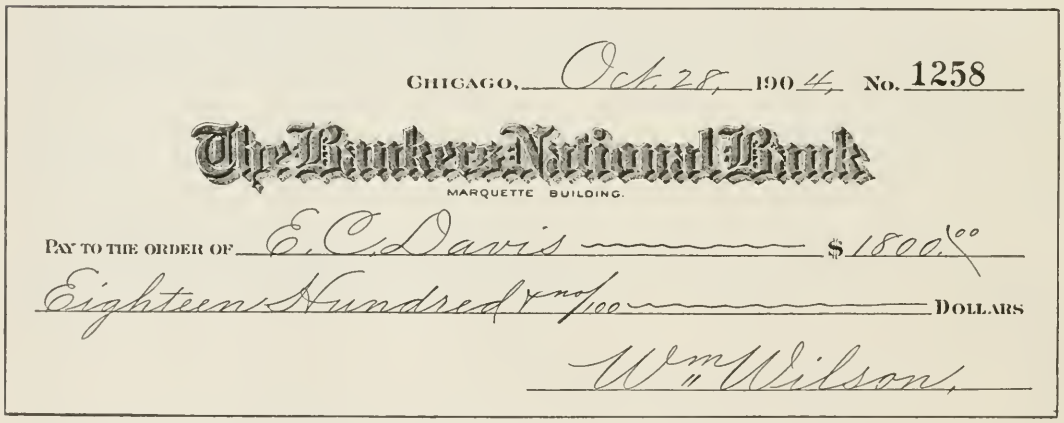
Oct. 25. The firm of J. W. Webster & Co. has this day admitted its head salesman, Samuel Drew, as a third partner in the business, who invests, cash, $3000.

Oct. 25. The firm of Brown & Graham has this day dissolved, James Brown retiring from the business. Geo. Graham continues the business, and pays the retiring partner for his interest, cash, $4000 from the business.

Oct. 27. The firm of Anderson & Naegele is to dissolve partnership, M. A. Anderson withdrawing from the business and F. D. Naegele continuing in same. Anderson is to be paid $5000, which Naegele procures from his private estate.

Oct. 28. The firm of Davis & Wilson has this day been dissolved by mutual consent. E. C. Davis retires from the firm, and Wm. Wilson continues the business and pays the retiring partner for his share: Note at 30 days, $2000, and the following

CHECK


CHICAGO, Oct. 28, 1904 No. 1258
The Bankers National Bank
MARQUETTE BUILDING.
PAY TO THE ORDER OF E. C. Davis $1800.00
Eighteen Hundred 00/100 DOLLARS
Wm Wilson

Note that the payment was made from Wilson's personal estate.

Write the check as above and the note to accompany it.

QUESTIONS FOR REVIEW

1. What is a Draft? 2. What is a Bill of Exchange? 3. Who are the parties to a draft? 4. Define the drawer, drawee and payee. 5. Give the theory of drafts. 6. Define a Sight Draft. 7. Define a Time Draft. 8. Define an Acceptance. 9. When you draw a draft or order on a person what do you credit? 10. When a person draws on you what entry do you make? 11. What entry do you make when you receive a draft drawn by another person upon some third party? 12. What are Personal Accounts? 13. What do we mean by the expression "on account?" 14. What is a Bill? 15. How do you receipt a bill? 16. When do you debit a person? 17. When do you credit a person? 18. When you buy of a person on account what do you credit? 19. When you sell to a person on account what do you credit? 20. When you pay a person on account, what entry? 21. When a person pays you on account, what entry? 22. Define Interest. 23. When do you debit interest? 24. When do you credit interest? 25. Define Premium. 26. Define Discount. 27. When do you debit premium?

28. When do you credit premium? 29. When do you debit discount? 30. When do you credit discount? 31. When merchandise is shipped away for sale on commission, what name do you give it? 32. Why do merchants ship goods to commission merchants for sale instead of selling it themselves? 33. What is a Consignment? 34. Who is the Consignor? 35. Who is the Consignee? 36. What is an Account Sales? 37. Define Net Proceeds. 38. What is a Shipment on Joint Account? 39. If you pay charges on a shipment what do you debit? 40. When you receive an Account Sales, what entry? 41. When you receive a consignment for sale, and pay charges on same, what entry do you make? 42. When you sell goods belonging to a consignment what entry do you make? 43. After the consignment is sold, and you wish to charge up your commission, how is it done? 44. How do you enter the Net Proceeds when you render an Account Sales to the shipper? 45. Define Expense. 46. Define Profit and Loss. 47. For what is Expense debited? 48. For what do you debit Profit and Loss? 49. Before a set of books can be opened what must be done? 50. How is the term Stock used by some accountants? 51. For what do you credit the proprietor? 52. For what do you debit the proprietor? 53. In what respects does the proprietor's account resemble any other personal account? 54. When the proprietor or a partner makes an investment what entry do you make? 55. What do you credit? 56. If the proprietor or partner withdraws resources what do you debit? 57. What do you credit? 58. If the firm assumes an obligation for one of the partners what entry is made? 59. When a new partner is admitted to the firm what entry is made? 60. When a partner retires from business what entry is made?

ACCOUNTS—Continued

EXERCISE XXX

To the Student: Before recording the transactions for April, carefully read the following instructions: Enter all sales of merchandise in the Sales Book, as directed on page 70. Journalize all other items, and write up the business papers required. Have your work approved.

How Entries Are to be Recorded.—In case a purchase is made in which a portion only is paid, a Journal entry is first made as if nothing had been paid, and then another Journal entry is made for the payments, as if paid on account, thus separating the purchase and the payment, as if distinct and separate transactions.

Thus, suppose we buy from John Brown a bill of goods amounting to $500 and give in part payment our note for $200 and cash for $200. This can be recorded in two ways—by the partial entry method and by the full entry method.

Journal entry by partial method:

	Mdse.,		500		
		Bills Pay.,			200
		Cash,			200
		John Brown,			100

Journal entries by full entry method:

	Mdse.,		500	
		John Brown,		500
	John Brown,		400	
		Cash,		200
		Bills Pay.,		200

Skeleton Accounts showing both methods posted as affecting Brown's account:

First Method. JOHN BROWN		Second Method. JOHN BROWN	
	100	400	500

The object of the second method is to have the Ledger account show the entire transaction. At the end of the month, or other stated time, when a Statement of Account is rendered to the customer, it will show his purchases or debits and also his payments or credits, thus exhibiting clearly before him the true condition of his account.

INTRODUCTION OF SALES BOOK

In this set the Sales Book is introduced. The simplest form of this book has rulings similar to the Journal. All sales of merchandise in detail, together with the date of sale, name and address of the buyer, are entered in it. The amount of each sale is posted direct from it to the debit of the purchaser's account in the Ledger. At the end of the month the total column is footed and the sum is posted to the credit side of the merchandise account in the Ledger, thus maintaining the necessary equilibrium in that book.

In case it becomes necessary to use more than one page for a Sales Book, foot the total column of the first page, and opposite the footing in the remark column write "Amount forward." On the first line of the succeeding page write "Brought forward," placing the amount in the total column, and so on with succeeding pages. Making a record in the Sales Book of all sales relieves the Journal of just so much, but if there are any payments either in full or partial settlement of a bill, these must be made in the Journal and credited to the customer's account in the Ledger. This is in accordance with the method explained at the beginning of this exercise. See form of Sales Book, page 71.

TRANSACTIONS

April 1, 19—. C. E. Kelly commenced business this day with a cash capital of $2000.

April 2. Paid cash for rent of store in advance, 6 months, at $75, $450.

April 3. Bought of J. D. Field & Co., on our note at 30 days, payable at our office, 8% interest, 50 bbl. Minnesota Flour at $6, $300.

April 5. Bought of Wheeler & Andrews, for cash, 5 sacks Rio Coffee at $12.50, $62.50; 10 boxes Boston Crackers at $1.60, $16; 5 bbl. N. O. Sugar at $22.50, $112.50; 8 bbl. N. Y. Salt at $2.50, $20. Total $211.

April 7. Sold to W. Hunter on account, 20 bbl. Minnesota Flour at $6.75, $135.

April 8. Sold Stephen Whitney, 3 bbl. N. O. Sugar at $26.25, $78.75. Received in payment, his draft on H. Williams at 10 days' sight.

April 9. Bought of S. A. Maxwell & Co., for cash, set of blank books for store, $18.50.

April 11. Bought of W. H. Southard, 200 bbl. Winter Apples at $2.50, $500. Gave in payment our note at 30 days for $200; cash, $200; balance on account, $***.

April 12. Sold Louis Stinson, 100 bbl. Winter Apples at $2.75, $275. Received in payment 200 bu. Potatoes at 75¢, $150; his note at 15 days for balance, $***.

April 14. C. E. Kelly has received a legacy from a deceased relative, consisting of 10 shares Illinois Central Railroad Stock at $108, $1080; cash, $1000. Total $2080, which he has invested in the business.

SALES BOOK

19—		L. F.						
Apr.	7		W. Hunter,	On account,				
			20 bbl. Minnesota Flour,	6 75			135	
	8		Stephen Whitney,	Draft on H. Williams,				
			3 bbl. N. O. Sugar,	26 25			78	75
	12		Louis Stinson,	Sunds.,				
			100 bbl. Winter Apples,	2 75			275	
	16		J. I. Holister, Moline, Ill.,	On account,				
			3 sacks Rio Coffee,	14 00	42			
			5 boxes Boston Crackers,	1 80	9		51	
	19		Geo. Keller,	Note 60 days,				
			50 bbl. Winter Apples,	2 80			140	
	25		W. D. Waller,	On account,				
			10 bbl. Minn. Flour,	6 75	67	50		
			50 " Winter Apples,	2 80	140			
			3 " Cider Vinegar, 90 gal.,	30	27			
			5 coils in. Rope, 400 lb.,	05	20			
			100 bu. Potatoes,	1 00	100		354	50
	27		J. R. Wheeler,	Sunds.,				
			50 bu. Potatoes,	85	42	50		
			3 bbl. N. Y. Salt,	2 80	8	40		
			5 coils in. Rope, 400 lb.,	05	20		70	90

April 16. Sold J. I. Holister, Moline, Ill., on account, 3 sacks Rio Coffee at $14, $42; 5 boxes Boston Crackers at $1.80, $9. Total $51.

April 17. Paid cash for Postage Stamps, $5.

April 19. Sold Geo. Keller, on his note at 60 days, 50 bbl. Winter Apples at $2.80, $140.

April 21. Received cash of W. Hunter, on account, $75.

April 22. Paid W. H. Southard, on account, cash, $60.

April 22. Received cash of H. Williams for Stephen Whitney's draft on him at 10 days' sight, $78.75, received on the 8th inst.

April 24. Bought of James Berry, 15 boxes German Soap, 600 lb, at 7¢, $42; 10 coils Inch Rope, 800 lb, at 4¢, $32; 5 bbl. Cider Vinegar, 150 gal., at 25¢, $37.50; 15 chests Y. H. Tea, 675 lb, at 45¢, $303.75. Total $415.25. Gave in payment Geo. Keller's note of the 19th inst. at 6% discount; face of note, $140; discount off, 55 days $1.28; our note at 30 days for $150; cash, $100; balance on account, $**.**.

April 25. Sold to W. D. Waller, on account, 10 bbl. Minnesota Flour at $6.75, $67.50; 50 bbl. Winter Apples at $2.80, $140; 3 bbl. Cider Vinegar, 90 gal., at 30¢, $27; 5 coils Inch Rope, 400 lb, at 5¢, $20; 100 bu. Potatoes at $1.00, $100. Total $354.50.

April 26. Drew at 10 days' sight on J. I. Holister, Moline, Ill., and discounted draft at First National Bank. Face of draft, $51. Discount off, 25¢. Net proceeds received in cash, $50.75.

April 26. Sold for cash, Postage Stamps, $1.80.

April 27. Sold J. R. Wheeler, 50 bu. Potatoes at 85¢, $42.50; 3 bbl. N. Y. Salt at $2.80, $8.40; 5 coils Inch Rope, 400 lb, at 5¢, $20. Total $70.90. Received in payment his note at 30 days for $50; cash for balance, $**.**.

April 27. Louis Stinson has paid his note of the 12th inst. and interest thereon by check on Third National Bank. Face of note, $125; interest, 15 days, at 8%, 42¢. Total $125.42.

April 28. Received cash of W. Hunter, to apply on his account, $25.

April 28. Received cash for 6 per cent. dividend on 10 shares Illinois Central Railroad Stock, $60.

April 29. Paid our note, favor of J. D. Field & Co., before due; also interest on same to date. Face of note, $300; interest on same, 26 days, at 8%, $1.73. Total $301.73. Gave in payment sight draft on W. D. Waller for $200. Cash for balance, $***.**.

April 29. Sold A. J. Bailey, 2 bbl. Cider Vinegar, 60 gal., at 30¢, $18; 5 bbl. N. Y. Salt, at $2.75, $13.75; 10 bbl. Minnesota Flour at $7, $70; 5 chests Y. H. Tea, 225 lb, at 60¢, $135. Total $236.75. Received in payment, cash, $100; his note at 30 days for balance, with 6% interest added. Balance of bill, $136.75; interest added, 68¢. Face of note, $137.43.

April 30. Received of W. D. Waller, on account, his note, at 30 days for $75; cash, $60. Total $135.

Business Papers required for April:

Note favor J. D. Field & Co., April 3.

Receipt from W. H. Southard, April 22.

Check of Louis Stinson, April 27.

EXERCISE XXXI

To the Student: Open the following Ledger accounts:

C. E. Kelly, ½ page; W. L. Parsons, ½ page; Merchandise, 1 page; Ill. Central R. R. Stock, 10 lines; Real Estate, 6; Fixtures, 8; Expense, 12; Shipment G. S. Hubbard & Co., Baltimore, 8; Discount, 9; Interest, 12; Loss and Gain, 20; Cash, 1 page; Bills Payable, 15; Bills Receivable, 15; W. Hunter, 8; W. H. Southard, 10; J. I. Holister, Moline, Ill., 6; W. D. Waller, 10; James Berry, 10; W. M. Hoyt & Co., 8; J. H. Moore & Co., 8; James M. Graham, Galesburg, Ill., 8; C. C. Thomp-

son, 8; A. J. Bailey, 8; Hartford Insurance Co., 8; Stephen Whitney, 6; Louis Stinson, 8; George Keller, 6; J. R. Wheeler, 8; J. T. Armour, Springfield, Ill., 6; J. R. Rumsey, Indianapolis, Ind., 6; Cash Dis., 6.

EXERCISE XXXII

To the Student: First post the separate items in the Sales Book to the debit of the proper personal accounts in the Ledger. Next post the footings of the Sales Book as directed. Lastly, post the Journal, observing the directions given in Exercise IX.

When posting the sales footing to the Ledger, use the explanation "Total from Sales Book" and the page of the Sales Book from which the amount was taken. Write the ledger page in the folio column of the Sales Book.

As soon as you have posted the transactions for the month of April, you will take a trial balance as directed in Exercise IX. Include in the trial balance only those items having debit or credit items. Do not include an account that balances.

Test your trial balance with the following

RESULTS

Cash on hand	$2451.39
Bills Receivable on hand	262.43
Bills Payable unpaid	350.00
Personal Accounts owing us	54.50
Personal Accounts we owe	66.53

Copy below the trial balance the following

INVENTORY OF PROPERTY UNSOLD, APRIL 30, 19—

10 bbl. Minnesota Flour,	@ $ 6.00	60	00			
2 " N. O. Sugar,	@ 22.50	45	00			
50 bu. Potatoes,	@ .75	37	50			
15 boxes German Soap, 600 lb.,	@ .07	42	00			
5 " Boston Crackers,	@ 1.60	8	00			
10 chests Young Hyson Tea, 450 lb.,	@ .45	202	50			
2 sacks Rio Coffee,	@ 12.50	25	00	420	00	
10 shares Illinois Central Railroad Stock,	@ 106.00			1060	00	
5 months' rent of store, paid in advance,	@ 75.00			375	00	

EXERCISE XXXIII

To the Student: You are now ready to close the Ledger. Read directions for closing the Ledger given in Exercise XIV.

Observe the following steps in closing:

First, Credit proper accounts with inventories. When these accounts are closed and ruled up you will bring down the "Balance Inventories."

Second, Close the following accounts to Loss and Gain, transferring the differences to Loss and Gain account: Mdse., Ill. Central R. R. Stock, Expense, Discount and Interest. Test Loss and Gain account; that is, the difference credited to the Proprietor's account should show a net capital at closing of $4206.79. If correct, close Loss and Gain account and the Proprietor's account.

Third, Close all remaining accounts to balance, bringing down the balances except do not close a real account that has but a single debit or credit item.

Fourth, Take a trial balance of the balances brought down and then make out a Statement for April. (See Exercise XIV.)

EXERCISE XXXIV

To the Student: Journalize transactions for May. Write up business papers called for at end of transactions and have the same approved.

The transactions for May are a continuation of the business done in April, a partner being admitted. The transactions on May 3, 4, 28 and 30 require special entries explained in Exercise XXX.

TRANSACTIONS

May 1, 19—. C. E. Kelly has this day admitted W. L. Parsons as a partner, who is to share equally in the gains and losses. The firm name is to be Kelly & Parsons.

W. L. Parsons invests store building and lot, No. 264 River Street, valued at $5000, on which there is a mortgage of $1000, due in one year, bearing 7% interest, which the firm assumes.

May 3. Bought of W. H. Southard, 300 bbl. Winter Apples at $2.50, $750; 25 sacks Rio Coffee, 3500 lb, at 10¢, $350; 10 bbl. Cider Vinegar, 300 gal., at 20¢, $60. Total $1160. Gave in payment, cash, $500; our note at 30 days for $500; balance on account, $***.

May 4. Bought of W. M. Hoyt & Co. 20 bbl. N. O. Sugar at $25, $500; 100 boxes Boston Crackers at $1.80, $180; 100 boxes Sperm Candles, 1986 lb, at 25¢, $496.50. Total $1176.50. Paid freight on same in cash, $9.80. Gave in payment for goods, our note at 60 days for $500, with interest added at 5%, $4.17. Face of note, $504.17; balance on account, $***.**.

May 6. Sold to W. D. Waller, on account, 10 bbl. Minnesota Flour at $7, $70; 2 bbl. N. O. Sugar at $26, $52; 25 boxes Boston Crackers at $1.95, $48.75; 10 boxes Sperm Candles, 198 lb, at 35¢, $69.30. Total $240.05.

May 7. Shipped via B. & O. R. R. to G. S. Hubbard & Co., Baltimore, Md., for sale on our account and risk, 10 bbl. N. O. Sugar at $25, $250; 200 bbl. Winter Apples at $2.50, $500. Total $750. Insured same in Hartford Insurance Co. for $600, paying premium in cash at 2%, $12.

Shipments are invoiced at the buying price.

May 10. Received cash of J. R. Wheeler in payment for his note and interest to date. Face of note, $50; interest at 6%, 11 ¢. Total $50.11.

May 11. Paid cash for our note and interest, favor W. H. Southard, of the 11th ult. Face of note, $200; interest on same at 6%, $1. Total $201.

May 15. Have this day moved into our new store, No. 264 River Street. Paid cash for expenses of moving $265.30; also for Counters, Shelving and Furniture, $785.25. Total $1050.55.

Open an account with Fixtures.

May 16. Sold J. I. Holister, Moline, Ill., on account, 10 sacks Rio Coffee, 1400 lb, at 13¢, $182; 5 bbl. Cider Vinegar, 150 gal., at 25¢, $37.50; 1 chest Y. H. Tea, 45 lb, at 50¢, $22.50. Total $242.

May 18. Sold J. T. Armour, Springfield, Ill., 20 boxes Sperm Candles, 397 lb, at 30¢, $119.10; 10 bbl. N. O. Sugar at $30, $300; 25 bu. Potatoes at 90¢, $22.50; 5 sacks Rio Coffee, 700 lb, at 15¢, $105. Total $546.60. Discount off at 5% for cash, $**.**. Received cash, $***.**.

May 18. Bought of Safety Lock Co., for cash, 1 Office Safe, $250.

May 20. Bought of James Berry, on account, 150 bbl. Minnesota Flour at $5.75,

$862.50; 200 bu. Potatoes at 80¢, $160; 150 boxes German Soap, 6000 lb, at 6¢, $360. Total $1382.50.

May 20. Bought of J. H. Moore & Co., on account, 1 set of Furniture for W. L. Parsons, $175.

May 21. Paid W. H. Southard, on account, our note at 30 days for $75; cash, $85. Total $160.

May 21. Sold to Preston, Kean & Co., for cash, 5 shares Illinois Central R. R. Stock at $109, $***.

May 23. Sold to J. R. Rumsey, Indianapolis, on his note at 30 days, with interest at 5% added, 100 boxes German Soap, 4000 lb, at 7½¢, $300; 25 boxes Boston Crackers at $2, $50; 50 bu. Potatoes at $1.15, $57.50; 5 bbl. Cider Vinegar, 150 gal., at 25¢, $37.50. Total $445. Interest at 5%, $1.85. Face of note, $446.85.

May 25. Drew on W. D. Waller at 20 days, and discounted draft at First National Bank. Face of draft, $200. Discount off, 67c. Net proceeds received in cash, $199.33.

May 25. Received advice of the total destruction by fire of the warehouse of G. S. Hubbard & Co., Baltimore, including our shipment of the 7th inst. Hartford Insurance Co. held for face of policy.

May 26. Sold to James M. Graham, Galesburg, Ill., on account, 50 bbl. Minnesota Flour at $7, $350; 50 bbl. Winter Apples at $2.60, $130. Total $480.

May 27. Accepted James Berry's draft on us at 30 days' sight, favor Union Trust Co., for $1000.

May 28. Sold C. C. Thompson, Minneapolis, Minn., 50 boxes Sperm Candles, 993 lb, at 25¢, $248.25; 25 boxes German Soap, 1000 lb, at 8¢, $80; 55 boxes Boston Crackers at $1.75, $96.25. Total $424.50. Received in payment his note at 30 days for $150; James Berry's order on us for $150; cash, $100; balance on account, $***.**.

May 30. Accepted J. C. Brown's draft at 30 days' sight on C. E. Kelly for $500, favor A. S. Davenport. .

May 30. Received of W. D. Waller, cash for his note of the 30th ult. and interest. Face of note, $75; interest at 5%, 31¢. Total $75.31.

May 30. Sold to A. J. Bailey, 4 chests Y. H. Tea, 180 lb. at 50¢, $90; 150 bu. Potatoes at $1.10, $165; 10 bbl. Minnesota Flour at $7.25, $72.50. Total $327.50. Received in payment, cash, $163.75; balance on account, $***.**.

May 30. Discounted at Union National Bank, J. R. Rumsey's note of the 23d inst. Face of note, $446.85; discount off at 6%, $1.71. Net proceeds received in cash, $***.**.

May 30. Paid cash for our note, favor W. H. Southard, of the 3d inst., and interest to date. Face of note, $500; interest at 5%, $1.88. Total $501.88.

Business Papers required for May:

Bill to J. T. Armour, Springfield, Ill., May 18.

Note of J. R. Rumsey, Indianapolis, May 23, payable at his office.

Acceptance favor A. S. Davenport of May 30.

EXERCISE XXXV

To the Student: Post the Journal entries for May under Ledger headings used in April. Do not skip any space on either side of an account. Place first May entry next to last April entry. When you have finished posting, take a trial balance, including the balances brought down. Test your trial balance with the following

RESULTS

Cash on hand	$1939.07
Bills Receivable on hand	287.43
Bills Payable unpaid	3229.17
Personal Accounts owing us	1604.80
Personal Accounts we owe	1150.53

Copy the following

INVENTORY OF PROPERTY UNSOLD, MAY 31, 19—

90 bbl. Minnesota Flour,	@	$6.00	540	00		
25 bu. Potatoes,	@	.75	18	75		
40 boxes German Soap, 1600 lb,	@	.07	112	00		
5 chests Young Hyson Tea, 225 lb,	@	.40	90	00		
12 sacks Rio Coffee, 1680 lb,	@	.10	168	00		
20 boxes Sperm Candles, 993 lb,	@	.25	248	25		
50 bbl. Winter Apples,	@	2.50	125	00		
					1302	00
5 shares Illinois Central R. R. Stock, valued at $110,					550	00
Store and Lot, No. 264 River Street,					5000	00
Fixtures, worth,					1025	00
4 months' rent, paid in advance, at $75,					300	00

EXERCISE XXXVI

To the Student: You will now close the Ledger accounts.

First, Credit up inventories.

Second, Close all representative accounts and bring down the inventory, if any.

Third, Close one-half of Loss and Gain balance to each partner. These entries will go on the debit side in red ink thus:

GAIN AND LOSS

May	31	C. E. Kelly,	** **
	31	W. L. Parsons	** **

When credited with proper share of the Loss and Gain account, the Proprietors' accounts should show the following balances:

C. E. Kelly's net capital at closing, $3755.20.

W. L. Parsons' net capital at closing, $3873.40, when using text prices.

Then transfer to the credit of these accounts and balance them. Close remaining accounts to balance and bring down the balances. Do not close real accounts having but a single debit or credit item.

Fourth, Make out a Statement. Show each partner's net gain or net loss and capital at closing, separately. Group personal accounts in your statement under "Personal Accounts Receivable" and "Personal Accounts Payable."

PRICE LISTS FOR APRIL AND MAY

If for the sake of drills in accuracy, or other reason, it should be desired that the student perform the calculations in each transaction, in the two previous months, the following price lists are given for the purpose, together with the results under each price list:

Articles.	Buying Prices for April and May.					Selling Prices for April and May.				
	List 1.	2	3	4	5	List 1.	2	3	4	5
Boston Crackers	$1.80 bx.	$1.90	$1.75	$1.60	$1.70	$1.85 bx.	$2.00	$1.85	$1.80	$1.90
Cider Vinegar	.25 gal.	.28	.24	.23	.20	.30 gal.	.30	.30	.25	.24
German Soap	.08 lb.	.09	.10	.09	.08	.08⅓ lb.	.09½	.10	.09½	.09
Inch Rope	.04 lb.	.05	.04	.04½	.05	.04½ lb.	.06	.06	.05	.05½
Minn. Flour	6.00 bbl.	6.25	6.40	6.10	6.15	6.50 bbl.	6.40	6.75	6.50	6.60
N. O. Sugar	22.00 bbl.	24.00	28.00	25.00	26.00	24.00 bbl.	25.00	30.00	28.00	30.00
N. Y. Salt	2.75 bbl.	2.40	2.50	2.60	2.75	3.00 bbl.	2.60	3.00	3.10	3.25
Potatoes	.90 bu.	.80	.70	.75	.85	1.10 bu.	.95	1.00	1.10	1.15
Rio Coffee	13.00 sk.	14.00	15.00	14.50	14.25	15.00 sk.	15.00	16.00	16.00	16.00
Sperm Candles	.25 lb.	.27	.28	.30	.29	.30 lb.	.32	.34	.35	35
Winter Apples	2.35 bbl.	2.40	2.50	2.35	2.40	2.75 bbl.	2.75	2.80	3.00	3.00
Y. H. Tea	.40 lb.	.42	.45	.42	.50	.50 lb.	.45	.50	.45	.60

Before beginning the work of this set, the student should copy upon a small sheet of paper the names of the articles in the above Price List, together with the buying and selling prices of same, and use that sheet as his price list. This will avoid confusion, and perhaps error, in selecting the price from the above list each time.

Compute the value of the inventories of merchandise at the buying price under each list, using the quantities as given at the close of the month's transactions. Property other than merchandise will remain of the same value as given under the inventory at the close of the transactions.

RESULTS FOR APRIL

	List 1.	2	3	4	5
Cash on hand	$2424.89	$2420.22	$2434.42	$2472.79	$2455.70
Bills Receivable	236.05	221.73	238.57	222.23	257.31
Bills Payable	350.00	350.00	350.00	350.00	350.00
Accounts Receivable	52.50	40.50	58.50	62.50	71.60
Accounts Payable	11.26	53.26	83.03	19.38	76.88
C. E. Kelly's net capital	4199.18	4145.19	4189.71	4251.64	4258.73

RESULTS FOR MAY

	List 1.	2	3	4	5
Cash on hand	$1873.09	$1918.16	$2012.10	$2013.86	$2000.44
Bills Receivable	261.05	246.73	263.57	247.23	282.31
Bills Payable	3229.17	3229.17	3229.17	3229.17	3229.17
Accounts Receivable	1637.05	1587.12	1687.69	1692.85	1745.95
Accounts Payable	1202.76	1415.98	1636.11	1395.18	1420.32
C. E. Kelly's net capital	3695.35	3589.58	3637.79	3763.44	3791.08
W. L. Parsons' net capital	3821.16	3769.39	3773.08	3836.80	3857.35

EXERCISE XXXVII

MERCHANDISE ACCOUNT

The Merchandise account is an account that when active is both a real and a representative account. When closed, it becomes a real account, the representative element being closed to Loss and Gain.

The object of the Merchandise account is to show the gross profit on trading. In order to show the true gross profit and correct per cent. of gain or loss for a definite period, true net cost must appear on one side and true net sales on the other side.

Transactions affecting Merchandise may be classified by the use of the following Ledger accounts as subordinate merchandise accounts:

1. Stock of Goods Acct.
2. Mdse. Purchases.
3. Mdse. Sales.
4. Mdse. Purchases Returned.
5. Mdse. Sales Returned.

Rebates are included either in Purchases Returned or Sales Returned.

In case of a Ledger having such accounts, the following is the

ORDER OF CLOSING

Open a "General Merchandise Account."

1. Close "Stock of Goods Acct." to new account.
2. Close "Mdse. Pur. Ret'd." to "Mdse. Pur."
3. Close "Mdse. Pur." to "Gen. Mdse. Acct."
4. Close "Mdse. Sales Ret'd" to "Mdse. Sales."
5. Close "Mdse. Sales" to "Gen. Mdse. Acct."

There may be several other Subordinate accounts to be closed into "Mdse. Pur." account, such as "In-Freight," "Duties," "Rebates," "Allowances." In-Freight and Duties increase the cost. Rebates and Allowances decrease the cost. Rebates and Allowances on sales, made by us, decrease the sales.

In solving the following examples, the Skeleton Ledger should be used.

EXAMPLE 1.—The total cost of merchandise is $75000. The total sales are $110000. What is the profit and the per cent. of profit?

EXAMPLE 2.—The value of the stock of goods on hand at beginning of the year was $30000. The total purchases during the year was $75000. The total sales $120000, and there is a stock of goods on hand at the end of the year costing $40000. What is the profit and what is the per cent. of profit?

EXAMPLE 3.—The value of stock of goods Jan. 1, 1904, was $35000. Purchases during year amount to $121000. Sales, $205000. In-freight, $780. Duties, $8600. Goods that we returned invoiced at $2100. Goods returned to us invoiced at $1600. Goods on hand Jan. 1, 1905, invoiced at $24000. What is the profit and what is the per cent. of profit?

EXAMPLE 4.—A has a stock of goods on hand that are marked for sale amounting to $36000. He buys during the year goods invoiced at $84000. His sales amount to $156000. Freight on goods bought was $960. Duties, $3100. Goods returned by us, $800. Goods returned to us, $1800 The goods at the beginning of the year had been advanced 25% in marking, 10% of freight and duties is apportioned to goods on hand at the end of the year invoiced to us at $24000. Find the profit on merchandise and the per cent. of gain.

THE BALANCE SHEET

EXERCISE XXXVIII

THE BALANCE SHEET

The **Balance Sheet** is a condensed statement designed to show at a glance all facts in general relating to the financial condition of the business. It is in reality an epitome of the Ledger. Its facts and figures are taken from the various Ledger accounts, and its results must correspond with the closing entries in the Profit and Loss and Proprietor's accounts in the Ledger.

In the first two columns will be placed a Trial Balance of the Ledger accounts. The Trial Balance may be one of total debits and credits, or it may contain the mere debit or credit balance only. It is customary to divide the personal account balances into two classes—payable and receivable, respectively—and enter them in the Balance Sheet or Statement. This is necessary in a large business. The Balance Sheet shows the condition of the business in final results. A list of the accounts receivable and payable may be made out to accompany the Balance Sheet. It is known as a Schedule. Bills Receivable and Bills Payable also may be scheduled. Then begin with the first account after the proprietor's or partners' accounts and extend the differences between the debit and credit amounts into the columns to the right. If a real account, extend the difference into the column of Resources or Liabilities. If a representative account, extend the inventory into the Resource column and the difference into the Loss and Gain columns. The difference between the Loss and Gain columns will show the net gain or net loss, and this added to, or subtracted from, the proprietor's net investment will give his net capital at closing, which is a liability to the business and hence must be extended into the Liability column. If no error has been made the net capital of the proprietor or partners when extended into the Resource and Liability columns will cause them to balance, thus proving the accuracy of the work.

The Balance Sheet may be made out from the Trial Balance *before* the Ledger is closed, and by some bookkeepers this method is preferable to that of making out the Balance Sheet *after* the Ledger is closed, since it is an aid in closing the Ledger.

Having drawn off his Balance Sheet, the bookkeeper lays the same upon the proprietor's desk for his inspection. By comparison with former documents of the same kind, he is able to judge accurately of the progress and tendency of his business.

The following is a Balance Sheet for April. You may make out a similar one for May.

Balance Sheet, April 30, 19—.

L.F.	ACCOUNTS	TRIAL BALANCE DR.	TRIAL BALANCE CR.	LOSSES & GAINS		RESOURCES & LIABILITIES	
1	C. E. Kelly		4080				
1	Mdse. Inv. $420.	15762	13419		1856	420	
1	L. C. R. R. Stks. Inv. $1060.	1080	60		40	1060	
1	Expense Inv. $375.	4735	180	9670		375	
2	Discount	153		153			
2	Interest	173	110	63			
2	Cash	35976	11462			24514	
3	Bills Rec.	6061	8 3437			2624	3
3	Personal Accts. Rec.	5450				5450	
3	Bills Pay.	300	650				350
3	Personal Accts. Pay.		6653				6653
		76913	76913				
	Net Gain			12679			
				22565	22565		
	C. E. Kelly Invests		4080				
	Net Gain		12679				
	Net Capital						42067
						46233	46233

Make out a Balance Sheet and Statement for each of the following trial balances:

M. R. Powers,	200		3220	
A. W. Leslie,	100		1500	
Merchandise,	5508	95	2281	80
Cash,	2437	50	1295	82
Bills Receivable,	1587	50		
Bills Payable,	300		714	
John Jenny,	115			
Fixtures,	500			
E. J. Hopson,			250	
John Davis & Co.,	200		1357	
J. O. Bishop,	437	60	275	
J. W. Hubbard & Co.,	325		969	
Amos Duncan,	59			
Expense,	100		25	
Interest,	1	87		
Loss and Gain,	15	20		
	****	62	****	62

Additional information:

Value of unsold Merchandise, $4125; Fixtures at cost, less 10%; Items on hand charged to Expense worth $30.

TRIAL BALANCE

W. H. Williams Cap.,			12000	
Henry White Cap.,			15000	
Int. & Dis.,	96	25	142	64
Grain,	29840		33465	
Allowances on Mdse.,	325			
Merchandise,	42160	74	62124	36
Expense,	5240		24	
Real Estate,	9300		500	
Shipment Account,	10600		11450	75
Personal Accts. Rec.,	20150		6724	
Personal Accts. Pay,	10740	60	12368	
Bills Receivable,	18600		9090	
Bills Payable,	3500		8000	
Cash,	21336	16		
Bank Acct. Overdraft,			1000	
	171888	75	171888	75

Additional information:

Close Allowances into Merchandise account. Do not show the overdraft on the Balance Sheet. Value of unsold Merchandise, $7900; value of unsold Grain, $8640; value of Shipments not reported, $3600; value of Real Estate, $9000; value of items charged to Expense, $1300. Losses and Gains to be shared in proportion to investment.

EXERCISE XXXIX

The following examples contain trial balances and are to be written up in either statement or balance sheet form:

EXAMPLE 1.

W. F. Barnes Capital,		10000
Cash,	44000	33000
Mdse.,	52000	63000
Real Estate,	8000	
Expense,	1260	
Interest and Discount,	320	264
Bills Receivable,	12060	5600
Bills Payable,	3700	9700
Acct Receivable,	9350	3356
Acct. Payable,	4530	10300

Additional information:

Mdse. unsold, $6000; Store, House and Lot, $7500; Insurance prepaid, charged to Expense, $125.

Prepare a statement showing net gain or loss and proprietor's present worth.

EXAMPLE 2.—W. J. Smith and A. B. Jones are partners sharing gains and losses equally. Smith invested $12000 and Jones $9600. Other debit and credit items are: Cash Dr. $12600; Cr. $8760; Bills Rec., Dr., $7540; Cr., $3120; Bills Pay., Dr., $5260; Cr., $7960; Acct. Rec., Dr., $12370; Cr., $4250; Acct. Pay., Dr., $3720; Cr., $8360; Real Estate, Dr., $7100; Cr., $1000; Mdse., Dr., $54600; Cr., $55700; Expense, Dr., $1200; Fixtures, Dr., $860; Smith's drawings, Dr., $3200; Jones' drawings, $2300.

Additional information:

Value of unsold Merchandise, $18600; Real Estate, $6500; Fixtures, less 20%; Expense, $650; Interest on Bills Receivable due and unpaid, $300.

Prepare a statement showing net profit and partners' present worth.

EXAMPLE 3.

Capital Stock,			29867	08
Mdse.,	37939	75	8907	26
Accounts Receivable,	37524	49	6411	56
Accounts Payable,	2279	72	16523	
Bills Receivable,	8204	10	1025	18
Bills Payable,	5871	77	34475	65
Cash,	11882	47	11560	62
Stationery,	1148	55	3	90
Salaries,	772	55		
Advertising,	1563	64		
Expense,	434	83	2	
Interest and Discount,	741	88		
Rent, Insurance and Taxes,	412	50		
	108776	25	108776	25

Additional information:

Value of Merchandise unsold, $39240.50; Stationery on hand, $627.30. There are Salaries earned and unpaid, $116.75; Interest on Bills Payable earned to date and not entered, $516.22, on Bills Receivable, $49.64. Rent to amount of $59.74 is unpaid.

Prepare a statement showing net profit.

NOTE.—The following transactions covering a period of two months are given to afford drill on journalizing. Students may be instructed to journalize this work and hand it in as they have heretofore. It is offered more with an idea of furnishing work for oral drill, that may be used at any time and when students are at any point in the text. No better drill is afforded than when the student has about completed the text, to have him read a transaction and be required to make the entry as he would have recorded it in the Jobbing set, then as it would be entered in the Columnar Journal and finally as in the Wholesale set. The work may be varied as the teacher sees fit, or entirely omitted.

SUPPLEMENTARY EXERCISES

Nov. 1, 19—. Bought of Simon Morris, on my note at 30 days, 8 tons Prairie Hay at $13, $104; 80 bu. Oats at 33¢, $26.40; 240 bu. Corn at 45¢, $108. Total $238.40.

Nov. 2. Sold J. D. Odell, 80 bbl. Patent Flour at $6, $480; 25 bbl. Prime Pork at $11, $275. Total $755. Received in payment, cash, $400; his note at 60 days for balance, $355.

Nov. 3. Paid J. Manning & Co. on account, my draft at sight on C. J. Duncan for $250.

Nov. 4. Sold James Hunter, 30 bbl. Fish at $9, $270; 20 doz. Brooms at $1.25, $25; 10 bbl. A Sugar at $12.50, $125. Total $420. Received in payment my note, favor Julius Hudson, $320; interest due and allowed on same, $6.20; cash for balance, $93.80.

Nov. 5. Bought of Union Trust Co. for cash, their draft on New York at 1% premium, and remitted same to C. H. Wadsworth, New York, to apply on account. Face of draft, $800. Premium on same $8. Total $808.

Nov. 6. Sold James Hammond, 150 bu. Spring Wheat at 40¢, $60; 500 bu. Yellow Corn at 30¢, $150. Total $210. Received in payment his draft at 5 days' sight on Samuel D. Barr for $100; cash for balance, $110.

Nov. 6. Bought of George W. Hubbard, 2 $500 U. S. Bonds at 102⅝, $****.**. Gave in payment, cash, $500; Marvin Andrew's note, C. C. Pickett's favor, $200; my note at 30 days for balance, $***.**.

Nov. 8. Accepted D. B. Cook's draft on me at 10 days' sight, favor J. C. Skeen, $860.

Nov. 9. Received of Louis Norton, on account, my acceptance, favor Robert C. Duncan, $600.

Nov. 11. Sold Henry Otis on his note at 30 days, my draft at sight on Luther Johnson for $460.

Nov. 12. Paid S. S. Hamilton on account, my draft on Henry Warner at 1% premium. Face of draft, $400; premium, $4. Total $404.

Nov. 13. Bought of Alex. McCune, an invoice of Merchandise amounting to $3600. Paid him for same my bill of exchange on Henry Seymour, Boston, at 2½% discount. Face of bill, $2600; discount off, $65; cash for balance, $1065.

Nov. 15. Shipped J. D. Campbell, Columbus, Ohio, for sale on my account and risk, 200 bbl. Greening Apples at $2.50, $500; also, per his order, 300 bu. Early Rose Potatoes, bought of A. C. Burton on account at 80¢, $240. Total $740.

Nov. 16. Redeemed my note, favor A. W. Lesley, for $630, by giving Merchandise, $600; discount off, $30.

Nov. 18. Received of John D. Stanton, on account, his draft at 3 days' sight on W. R. Robinson, and by him accepted for $300.

Nov. 19. Paid Geo. B. Lathrop & Co., cash for painting and calcimining store, $75.

Nov. 20. Received of J. D. Campbell, Columbus, Ohio, an account sales of Apples, shipped on the 15th inst. Net proceeds, $825.60, for which he has remitted his note at 30 days.

Nov. 22. Henry Moore having failed, has paid his note at 25¢ on the dollar. Face of note, $860. Cash received, $215. Paid lawyer, Nelson Simonds, cash for making the collection, $5. Lost the balance, $645.

Nov. 22. Drew on John D. Brown, Reading, Pa., at 15 days' sight, for $280, which he has accepted and returned to me.

Nov. 23. Paid cash for insurance on store and stock of goods, $80.

Nov. 24. H. W. Wheeler has invested the following resources: Mdse., $1680; cash, $340; J. Warner's note for $430; interest accrued on note to date, $8.50; an account against J. W. King for $425, considered worth $400.

Nov. 25. Sold John Smith a bill of goods amounting to $268.50. Received in payment James Davis' draft on me (Smith's favor) for $375. Gave a 30 day note signed by J. B. Middleton, favor O. W. Potter, for $150; interest on same to present date, $1.20; and the difference is settled in cash.

Nov. 26. Received of J. C. Martin & Co., on account, cash, $200; their note at 30 days for $150. Total $350.

Nov. 27. Sold Geo. R. Davis, for cash, my sight draft on Eaton & Duncan, Detroit, at ½% premium. Face of draft, $500; premium, $2.50. Total $502.50.

Nov. 29. Bought of John B. Russell, 20 bbl. Flour at $7.50, $150; 10 bbl. Mackerel at $9, $90. Total $240. Gave in payment my note at 30 days, with interest at 6% added in face of note. Interest, $1.20. Face of note, $241.20.

Nov. 29. Sold Geo. Duncan a bill of Merchandise amounting to $500. Received in payment S. Dennis' note, Duncan's favor, dated Oct. 20th, at 60 days, for $360. Interest allowed on same to date at 6%, $2.40. Cash for balance.

Nov. 30. Bought of L. G. Gage, for cash, at ¼% premium, the following draft, which I have indorsed and remitted to A. J. Downing, Boston, on account:

No. 628. (*City and State*) *Nov. 30, 19—*
At sight pay to the order of
(*Student*).....*$1200.*
Twelve Hundred.....*Dollars*
Value received and charge to account of
To H. B. Stanton,
New York.
L. J. Gage.

Nov. 30. Make Gage's entry for the above draft.

Dec. 1. Bought of A. L. Merriman & Co., Pittsburgh, on account, bill of goods amounting to $186.40. Paid cash for freight on same, $6.20.* Total $192.60.

Dec. 2. Received of J. G. Brown, on account, his draft on A. M. Hudson, at 1% discount, which I have remitted to said Hudson to apply on account. Face of draft, $75.

*Add the cost of freight to the Mdse., as it increases the cost of the Mdse.

Dec. 3. Shipped per steamer Chicago, and consigned to J. H. Carpenter, Buffalo, to be sold on joint account of himself and myself, each one-half, 1000 bbl. Apples at $2.50, $2500; 200 bbl. Minnesota Flour at $5, $1000. Paid cash for drayage, storage and insurance, $30. Total $3530.

Dec. 4. Received John Dale's note at 30 days for one month's rent of house, No. 285 Warren Avenue, $40.

Dec. 6. Bought of L. B. Munson, Merchandise amounting to $350. Gave him my draft at 5 days' sight on Wm. J. Anderson for $420, at 1% discount. Received a note signed by Marshall Field, favor of Potter Palmer, and indorsed by Munson, for $120, on which he has allowed a discount of 1%. The balance is paid in cash.

Dec. 7. Received of Mason & Bower, on account, cash, $200; their note at 10 days for $200; their draft on A. J. Carnes for $125.

Dec. 8. Sold William C. Mason, for cash, a bill of goods amounting to $125, but by an error he has paid me $135.

Dec. 9. Sold J. H. Goldsmith, Atlanta, Ga., 20 bbl. W. W. Flour at $6, $120; 5 chests Y. H. Tea, 520 lb, at 50¢, $260; 50 bbl. Pork at $12.50, $625. Total $1005. Received in payment his check on Union National Bank of Atlanta, $625; A. W. Harrison's draft dated St. Louis, Dec. 4, at 10 days' sight on me, accepted Dec. 7th, Goldsmith's favor, for balance, $380.

Dec. 10. Bought of D. D. Morse for cash, Horse, Harness and Delivery Wagon for use of store, $860. Debit Horse and Wagon account.

Dec. 11. Received of J. H. Carpenter, Buffalo, an account sales of Produce shipped him on the 3d inst. on joint account. My one-half net proceeds, $1842.70, he owes me on account.

Dec. 13. Paid cash for Shoeing Horse and Repairing Wagon, $3.50.

Dec. 14. Bought of P. D. Armour & Co., 50 bbl. Pork at $11, $550. Gave them my draft on Pratt & Walker at ¼% premium. Face of draft, $580. Premium, $1.45. Balance due me on account.

Dec. 15. Bought of Harwood & Co., Milwaukee, 50 bbl. Cranberries at $5, $250. Paid them my note at 30 days for $100; my sight draft on Andrew Hosmer at 1% discount for $100; cash for balance, $51. Discount on above draft (my loss), $1.

Dec. 16. Sold John Smith, for cash, 2 tons Coal from my winter's supply of fuel, $18.

Dec. 17. Refunded to William C. Mason, in cash, the amount of his over-payment on the 8th inst., $10.

Dec. 18. The following draft has this day been presented to me, and I have paid same in cash:

Louisville, Ky., Dec. 15, 190—

At sight pay to the order of
L. H. Townsend.....$150.
One Hundred Fifty.....*Dollars.*
Value received and charge to account of
To (Student) *Waterbury & Holmes.*
(Your City and State.)

DISCOUNTS

TRADE DISCOUNTS

A **Trade Discount** is an allowance of a certain per cent. from the list or catalogue price. Manufacturers and dealers usually issue their catalogues or price lists annually. The price quoted in such catalogue is called the *List Price*, and discounts are made from this according to the demands of the market. These discounts are called *Trade Discounts*, and are estimated at a certain per cent. There may be two or more of such discounts upon the same bill, in which case the second is computed upon what remains after deducting the first. Thus a bill of goods is sold with an allowance of 20, 10 and 5% off. In this case the 20% is first deducted from the amount of the bill, then 10% of the remainder is deducted from the remainder, after which 5% of what still remains is deducted therefrom, and the remainder is called the net amount.

In the following Invoice a Trade Discount of 20 and 5% has been allowed:

BOOK M
PAGE 187

NEW YORK, Sept. 26, 19__

M r. James K. Spencer,

BOUGHT OF **H. B. DUNCAN & CO.**

WHOLESALE HARDWARE

TERMS 30 DAYS { OR 2% DISCOUNT CASH IN 10 DAYS

15	F. Base Burners	$27.50	412 50	
12	K. Ranges	30.00	360	
8	kegs Nails 10 d 800#	5¢	40	
6	" " 8 d 600#	5½¢	33	
24	doz. Knives & Forks	1.25	30	
3	" Silver Spoons	3.60	10 80	
4	" Tack Hammers	1.10	44 40	89 070
	20 and 5 off			21 377
				67 693

CASH DISCOUNT

Goods are sold for Cash or on credit. If sold on credit, the bills are due and payable at a stated time, usually monthly. If paid before due, an allowance is usually made for such payment, and this is called a *Cash Discount.* Merchants have printed upon their bill heads the terms under which payment may be made, and the customer is given the alternative of paying the bill before due and receiving the discount or withholding payment until the expiration of the term of credit. Thus, *30 days, 3% off 10 days,* indicates that the customer may pay in 30 days, or by paying in 10 days he will receive an allowance of 3% from the bill. This allowance is the *Cash Discount.* The amount remaining after all discounts and deductions have been made is the *Net Amount* of the bill.

In entering a sale of goods, the Trade Discounts are taken off at the *time the entry is made,* but the Cash Discount is *not taken off until the bill is paid.*

In the Invoice on preceding page a trade discount of 20 and 5% has been allowed, and in addition to this a Cash Discount of 2% is deducted for payment before the expiration of the 10 days allowed. The net amount after deducting the Cash Discount of 2% is $663.39.

Desiring to pay this invoice before the expiration of the ten days and thus secure the Cash Discount, James K. Spencer purchases a *Bank Draft* for the net amount ($663.39), payable to himself or order.

This form of remittance is most generally used by business men, as convenient, safe and economical. The bank may charge a slight fee, called Exchange, for issuing such a Draft.

FORM OF BANK DRAFT

FIRST NATIONAL BANK

No. _____ CHICAGO, Sept. 30, 19____

Pay to the order of James K. Spencer $663.39

Six Hundred Sixty-three 39/100 Dollars.

To

R. J. Street.
Cashier

The advantage in having the Draft written payable to James K. Spencer instead of being payable directly to the firm who is to receive the money, is to show that the paper has passed through the hands of James K. Spencer, or, in other words, that he has paid his debt to H. B. Duncan & Co. by means of this draft.

Spencer now indorses the draft as follows:

Pay to
H. B. Duncan & Co.
or order.
James K. Spencer.

After indorsement the draft is enclosed in a properly written letter, a form of which is given on the next page, and forwarded to the firm of Duncan & Co.

OFFICE OF
James K. Spencer
DEALER IN
Stoves and Hardware

Chicago, Sept. 30, 19

Messrs. N. B. Duncan & Co.,
New York City.

Gentlemen:—

Enclosed please find New York Exchange in settlement of your Invoice of the 26th as follows:

Amount of invoice	$676.93
Cash discount, 2%	13.54
Draft enclosed	$663.39

Thanking you for your prompt attention to my orders, I am,

Yours truly,

James K. Spencer,
per Mills.

In enclosing a Draft, Check or other document for remittance by mail, place the draft across the upper half of the letter sheet (even better, pin it to the letter sheet), then fold the letter as if the Draft were not there.

QUESTIONS FOR REVIEW

1. What is an Account? 2. Define the Ledger. 3. What is Posting? 4. What is a Ledger Heading? 5. What must the Ledger Titles or Headings correspond with? 6. How many sides has every account, and what are they? 7. How is an account debited? 8. How is an account credited? 9. What is the Title Line? 10. Define the different columns in an account. 11. What account should appear first in the Ledger, and why? 12. How should Ledger Headings be written? 13. What is the rule in reference to abbreviating Ledger Headings? 14. What title is used by some bookkeepers instead of the proprietor's name? 15. Where are debit items in the Journal posted? 16. Are explanations written in the item column in the Ledger, when posting debit items? 17. Where are credit items in the Journal posted? 18. Are explanations written in the item column in the Ledger when posting credit items? 19. What is post-marking, and what does it consist in? 20. What is the object of a Trial Balance? 21. How is a Trial Balance made? 22. What does the Trial Balance prove? 23. Does the Trial Balance prove the absolute correctness of the Ledger, and why? 24. What method must be pursued in case the Ledger is found to be out of balance? 25. What is "forcing a trial," and what can be said of the practice? 26. Should the Trial Balance be preserved; why and how? 27. What do we understand by "closing the Ledger?" 28. What three things will the Ledger exhibit when closed? 29. How often is it customary to close books in business? 30. How are accounts classified as to their nature? 31. Define a Real account and give examples. 32. Define a Representative account and give examples. 33. Why are Representative accounts so called? 34. How are Real accounts closed? 35. How are Representative accounts closed? 36. What is to be done with the inventories of property on hand, in the process of closing Representative accounts? 37. What does a red ink entry upon the Ledger signify? 38. In transferring entries why do they change sides? 39. What does the debit side of Cash account show? 40. What does the credit side show? 41. What does the difference show? 42. On which side will the closing entry always appear; why? 43. After closing a real account why is the balance brought down immediately beneath the rulings on the opposite side? 44. What does the debit side of Bills Receivable account show? 45. What does the credit side show? 46. On which side is the first entry always made; why? 47. How is this account closed? 48. What does the credit side of Bills Payable account show? 49. What does the debit side show? 50. On which side is the first entry always made; why? 51. How is this account closed? 52. What does the debit side of a personal account show? 53. What does the credit side show? 54. What does the difference show? 55. How is the account closed? 56. What does the debit side of Merchandise account show? 57. What does the credit side show? 58. Why is the inventory always entered upon the credit side? 59. After entering the inventory upon the credit side, what does the difference between the two sides show? 60. Where is this difference transferred? 61. What does the debit side of Expense show? 62. What does the credit side show? 63. What does the difference show? 64. What does the debit side of Loss and Gain account show? 65. What does the credit side show? 66. What does the difference show? 67. How is this difference entered in the Loss and Gain account? 68. Where is this carried? 69. What does the credit side of the proprietor's account show? 70. What does the debit side show? 71. What does the difference show, and how is it entered? 72. What is a Statement, and what is it intended to show? 73. Where are the facts to be found from which the Statement is made up? 74. What can you say as to the importance of neat and accurate ruling, and how may this be secured? 75. What is a Balance Sheet? 76. Wherein does a Balance Sheet differ from a statement of Resources and Liabilities? 77. What advantage, if any, has a Balance Sheet over a Statement? 78. From what column or columns in the Balance Sheet would you determine whether the business had been prosperous or adverse? 79. From what source would you ascertain the value of your business in case you were about to sell? 80. In case the proprietor were insolvent, what column in the Balance Sheet would exhibit the amount of such insolvency? 81. What are Trade Discounts? 82. Define Cash Discounts. 83. When are Trade Discounts taken off? 84. When are Cash Discounts taken off? 85. Suppose Trade Discounts of 50%, 30% and 20% were taken off, would anything be left, and if so, how much on a bill of $100? 86. Explain why this result is correct. 87. How are remittances usually made in settlement of bills in business? 88. What is the object of making the bank draft payable to yourself and then indorsing it over to the person or firm to whom the invoice is payable?

CASH BOOK

EXERCISE XL

The **Cash Book** contains a record of receipts and expenditures in detail, from which the balance may at any particular time be determined. It is one of the principal books of accounts and is frequently referred to by the business man. It differs in no material points from the cash account as kept in the Ledger, except that more space is generally used and that the receipts and expenditures may be entered in the Cash Book at the time they occur and the balance be determined at any particular moment, whereas, if all the entries are first put in the Journal and then posted, the ready information is not so easily obtainable.

CASH

Date	Folio	Credit Items	Explanations	Items	Total
19 Jan. 1		F. W. C. Hottkamp	Investment	1000	
3		Mdse.	Sold to Jas. Smith	175 50	
6		F. D. Naegele	On account	150	
9		Bills Rec.	Disctd. D. C. Meyer's note	250	
				1575 50	
			Total Receipts		1575 50
					1575 50
Jan. 16			Balance		1281 65

The Cash Book usually occupies two pages, the left-hand page (called Debit side) being used to record the receipts and the right-hand page (called Credit side) the payments. The Cash Book is balanced and ruled up the same as the cash account in the Ledger. The ruling for the simplest Cash Book is the same as that used for a Journal. The object of each column is fully explained in the form given.

When it becomes necessary, one transaction may be entered, one part on each side of the Cash Book, as in the transaction of the 9th. This becomes necessary in this case as the note must be entered at the face value, and the entry is first made on the left-hand page, as we are in receipt of cash. We pay the charges to the banker at the time of discount which lessen the amount received, and this payment is recorded on the right-hand page. The difference between these two items is the amount of cash actually received.

It is customary in business to close the Cash Book at the end of eacn business day, or at least to prove its correctness.

Trace the following transactions through the Cash Book given as a model:

EXAMPLE 1.—Jan. 1, 19—, F. W. C. Holtkamp invested cash in business, $1000. Jan. 2, He paid one month's rent of store, $75. Jan. 3, Received from James Smith, cash for Mdse., $175.50. Jan.5, Paid clerk for week's salary, $12.50. Jan. 6, F. D. Naegele paid cash on account, $150. Jan. 7, Paid drayage on Mdse., $3.60. Jan. 9, Discounted D. C. Meyer's note at bank, face of note, $250; discount deducted by banker, $2.75; received the balance in cash. Jan. 11, Paid J. P. Shaw on account, $75. Jan. 14, Paid J. F. Sarley for safe for office use, $125.

You may copy the Cash Book as given for Example 1, on trial paper, using pages 2 and 3. Always have receipts and payments on corresponding opposite pages.

BOOK

Date	Folio	Debit Items	Explanations	Items	Total
19— Jan. 2		Expense	Rent of store 1 mo.	75	
5		Expense	Paid clerk hire 1 wk.	12 50	
7		Mdse.	Paid for drayage	3 60	
9		Discount	On Meyer's note	2 75	
11		J. P. Shaw	On account	75	
14		Fixtures	Bot. of J. F. Sarley	1 25	
				293 85	
			Total Payments		293 85
15		*	Balance		1281 65
					1575 50

If the entries on the receiving side were each journalized they would be as follows:

Jan.	1	Cash,	F. W. C. Holtkamp,	1000		1000	
	3	Cash,	Mdse.,	175	50	175	50
	6	Cash,	F. D. Naegele,	150		150	
	9	Cash,	Bills Rec.,	250		250	

By eliminating the debit, which in each case is cash, and writing it as a heading, time and space will be gained. Each Cash Book entry contains a debit and credit.

*This line as well as all rulings should be in red ink.

PAYMENTS

Jan.	2	Expense,		75				
			Cash,			75		
	5	Expense,		12	50			
			Cash,			12	50	
	7	Mdse.,		3	60			
			Cash,			3	60	
	9	Discount,		2	75			
			Cash,			2	75	
	11	J. P. Shaw,		75				
			Cash,			75		
	14	Fixtures,		125				
			Cash,			125		

If but one entry for each side be made, the following Journal entry illustrates the debit and credit items:

RECEIPTS

	Cash,		1575	50		
		F. W. C. Holtkamp,			1000	
		Mdse.,			175	50
		F. D. Naegele,			150	
		Bills Rec.,			250	

PAYMENTS

	Expense,		75			
	Expense,		12	50		
	Mdse.,		3	60		
	Discount,		2	75		
	J. P. Shaw,		75			
	Fixtures,		125			
		Cash,			293	85

Write up the Cash Book for the following transactions, placing it just below the form copied, using the balance brought down:

EXAMPLE 2.—Jan. 16, 19—, Balance of cash on hand, $1281.65. Jan. 18, Received from A. B. Jones, on account, $96.40. Jan. 19, Paid our note favor E. L. Coe, due to-day, $200, and interest on same, $1.47 (two items). Jan. 20, Sold O. E. Grant bill of goods for cash, $195.64. Jan. 20, Paid clerk hire, $16.50. Jan. 22, Received for petty cash sales, $19.40. Jan. 23, Paid sundry items of expense, $4.56. Jan. 23, Received from A. B. Jones, on account, $37.50. Jan. 24, Received from sale of safe, $140. Jan. 25, Paid cash for premium on insurance, $20. Jan. 26, Received for petty cash sales, $36.84. Jan. 26, Paid cash for set of office chairs, $24.50. Jan. 27, Received from Insurance Co. rebate on premium, $3.75.

JOBBING

BOOT AND SHOE BUSINESS

Using: Sales Book, Journal, Cash Book and Ledger

DOUBLE ENTRY

Presuming that the student has mastered the underlying principles, or theory, of bookkeeping in the preceding pages, and that he has acquired, in some degree, that discipline in patience, accuracy and taste so requisite to the successful accountant, he is now to become acquainted with some of the forms and methods in use in the various departments of business. While the books of merchants may differ, this difference is never in principle, but in those minor details and methods depending upon the extent and peculiarities of the business, to which the intelligent bookkeeper can readily adapt himself. In fact, the best record can only be made by the use of special books and special forms adapted to the requirements of the business.

In entering upon the practical part of this work, the student may treat all checks, postal notes, money orders and sight drafts received, unless drawn upon us, as cash. Personal accounts should be ruled up and footed at any time when they balance.

In business it is customary to balance personal accounts whenever a settlement or agreement is arrived at, irrespective of when the Ledger is closed. The transactions in this set should be first written in the

DAY BOOK

This is a book of original entry, and should contain a complete and consecutive history of the transactions of the house, made in the order, and at the date, of their occurrence. Its language should be clear and concise, without superfluous words, or lacking in sufficient explanation. As the entries in this book are supposed to be made while the facts are fresh in the mind, it is, when properly kept, admissible as evidence in a court of justice. The first money column in this book is called the *item* column, and the second the *amount* or *total* column. Of course when a Sales Book is used in a set it is unnecessary to itemize the sale in the Day Book. It is sufficient to say: "Sold Jno. Doe Mdse. as per S. B."

Some teachers may wish to have their pupils secure facility in making concise records in the Day Book. Such can do so in this set. Those who do not desire to do so will find the transactions themselves recorded in Day Book form and hence the Text Book may be considered as the Day Book. If the Day Book be written the sales need not be itemized in it but in the Sales Book.

BILLS RECEIVABLE AND BILLS PAYABLE BOOKS

These books are used for entering notes and acceptances, both receivable and payable. By reference to the form on pages 100 and 101, it will be seen that numerous columns are used in which are entered the particulars concerning the paper. Great care should be exercised in filling in the facts in the Bill Books, computing the maturity of the paper, etc., as promptness in paying or collecting the same will depend upon such record. These are auxiliary books, being explanatory to entries in the Journal, and are not posted from.

The record of all notes receivable and payable for the first two months is made and offered as a model. It is not intended that the student will keep a note book in this set.

CASH BOOK

This book and its use have been fully explained in the previous exercise. All cash items are carried from the Day Book directly to the Cash Book. A check mark (√) should be placed in the folio column in the Day Book on the proper line, to show that the cash item has been transferred to the Cash Book (see transactions 6 and 10, Day Book).

JOURNAL

All transactions not recorded in the Cash Book or Sales Book will be entered in the usual manner in the Journal. Caution: When a purchase is made and payment in full or in part only is given, the full amount must first be recorded in the Journal as if nothing had been paid, and then the part or full payment must be recorded in the Journal, Cash Book, or both as the case may be. The account with the party will thus show us the full credit and the payment or payments. When a sale is made, and either all or a portion only of the bill is paid, charge the entire bill from the Sales Book, and then in the Cash Book or the Journal, as the case may be, give credit for the payment.

Check-mark the Day Book record (if one is made) when the Journal entry is made by putting a check mark in the proper column (see transactions 3 and 8, Day Book).

SALES BOOK

This book and its use were fully explained in the preceding set. It is to be used in this set exactly as it was there, and the student is again referred to the explanation of it given on page 70. When posting from this book to the account of the customer, the remark is always Mdse.

Almost every house makes daily sales to occasional customers who purchase in very small amounts and who pay cash for each purchase as it is made. The trade of none of this class of customers is of sufficient importance to warrant the keeping of a special personal account. Hence, such transactions are grouped as "Petty Sales." Usually as such a sale is made, a ticket for it is placed on the cashier's spindle, and when the cash is balanced these several items are added and a single entry is made for them as Petty Sales. These transactions should be entered in the Sales Book and posted to the debit side of Petty Sales account in the Ledger. An entry should also be made for them on the debit side of the Cash Book, and it should be posted to the credit side of Petty Sales account. This account will always balance, but it will enable the proprietor to determine just what this class of trade amounts to.

Another object in keeping an itemized record of the sales is, in case a customer should send for a duplicate bill, it can be readily furnished.

EXERCISE XLI

19–							
Aug.	1		A. W. Mason has this day commenced business with a cash capital of				2500 —
	1		Bot. of C. N. Fargo & Co., Chicago. for cash				
			48 pr. Ladies' Lasting Bal.	1.25	60		
			84 " Ladies' Kid S'd.	2.50	210		270
	3		Bot. of Louis Gould & Co., Phila.				
			60 pr. Fr. Calf Pgd. Boots	3.50	210		
			24 " Farmers' Kip "	2.60	62	40	
			72 " Boys' Fine " "	2.00	144		
			24 " Boys' Stoga "	1.75	42		458 40
			Paid Cash		258	40	
		✓	Paid note 90 da. for balance at 6%		200		
	6	✓	Sold J. D. Fielding for Cash				
			2 pr. Fr. Calf Pgd. Boots	5.50	11		
			1 " Boys' Stoga "		2		13
	8	✓	Sold C. H. Dexter on a/c				
			4 pr. Boys' Fine Boots	2.75	11		
			3 " Farmers' Kip "	3.25	9	75	20 75

TRANSACTIONS

19—								
Aug.	10	Bought of J. Armstrong & Co.,						
		240 pr. Buff Oxford Shoes,	2 00	480	00			
		120 " Children's Buff Bal.,	1 25	150	00			
		72 " Kip Brogans,	2 35	169	20	799	20
		Paid in part cash,		199	20			
		" freight and drayage, cash,				7	50
	12	Bought of Louis Gould & Co., Phila.,						
		240 pr. Kip Plow Shoes,	1 75	420	00			
		300 " Misses' Calf Bal.,	1 50	450	00	870	00
		Gave in payment my note, 10 da., 8%		700	00			
		Cash for balance,		170	00			
	14	Received of C. H. Dexter, cash to apply on account,				10	00
	15	Sold J. Riley, Clinton, Ia.,						
		2 pr. Child's Buff Bal.,	1 60	3	20			
		6 " Buff Oxford Shoes,	2 50	15	00	18	20
		Rec'd in part payment P. O. M. Order,		10	00			
	15	Petty sales per cash drawer,				48	60
	17	Sold Lawrence Cook, for cash,						
		2 pr. Ladies' Lasting Bal.,	1 75	3	50			
		3 " Farmers' Kip Boots,	3 25	9	75	13	25
	19	Received of C. H. Dexter, cash to apply on account,				5	00
	20	Sold J. W. Lunt, on acct.,						
		4 pr. Ladies' Kid Sewed Bal.,	2 85	11	40			
		2 " Boys' Stoga Boots,	3 15	6	30	17	70
	22	A. W. Mason has withdrawn cash for private use,				25	00
	22	Paid cash for my note, now due, favor Louis Gould & Co., and interest thereon to date,						
		Face of note,		700	00			
		Interest on same, 10 da., 8%		1	17	701	17
	25	Sold R. C. Windsor, Milwaukee,						
		8 pr. Buff Oxford Shoes,	2 75	22	00			
		3 " Ladies' Kid Sewed Bal.,	3 50	10	50	32	50
		Received in part payment, cash,		20	00			
	26	Paid Louis Gould & Co., on my note of the 3d inst., cash,				125	00
	26	Sold J. W. Lunt,						
		6 pr. Farmers' Kip Boots,	3 25	19	50			
		4 " Child's Buff Bal.,	1 50	6	00			
				25	50			
		Less 10%		2	55	22	95
		Received in part payment, cash,		15	00			
	27	Paid cash for postage stamps,				3	00
	27	Paid J. Armstrong & Co., cash on acct.,				100	00
	27	Petty sales per cash drawer,				85	70
	28	Sold M. W. Fuller, for cash,						
		6 pr. Kip Plow Shoes,	2 25			13	50

TRANSACTIONS—Continued

Aug.	28		Received of J. W. Lunt, cash on acct.,				20	
	28		Sold A. W. Green,					
			4 pr. French Calf Pegged Boots,	4 00	16	00		
			2 " Farmers' Kip Boots,	3 25	6	50		
			6 " Buff Oxford Shoes,	2 50	15	00		
			5 " Kip Brogans,	2 80	14	00		
					51	50		
			Received in payment his note at 60 days, with 6% interest added in face of note,					
			Interest for 60 da. at 6%,			52		
			Face of note,				52	02
	29		Paid Louis Gould & Co., cash on my note of the 3d inst.,				55	00
	30		Received of R. C. Windsor, in full of his account, J. Armstrong & Co.'s order on me,				**	**
	31		Paid rent of store for August in cash,				60	00

EXERCISE XLII

To the Student: Open the following Ledger headings:

A. W. Mason, 15 lines; J. B. Campbell, 10; Merchandise, 1 page; Shipment L. B. Montonya & Co., 10; Shipment Thompson & White, Omaha, 8; Interest and Discount, 20; Collection and Exchange, 12; Cash Discount, 8; Expense, 20; Profit and Loss, 1 page; Cash, 12; Bills Receivable, 10; Bills Payable, 25; C. H. Dexter, 8; J. Riley, Clinton, Ia., 8; R. C. Windsor, 15; J. W. Lunt, 15; J. Armstrong & Co., 15; R. A. Lambert, 8; L. B. Montonya & Co., 8; Geo. W. Simpson, 10; J. Mershon & Co., 10; J. B. Merriam, Boston, 8; Thomas Hamer, 8; W. F. Johnson, 8; Thompson & White, Omaha, Nebr., 8; D. B. Bradshaw, Lynn, Mass., 8; C. M. Henderson & Co., Chicago, 8; H. D. Comstock & Co., New York, 8; C. H. Fargo & Co., Chicago, 8; Louis Gould & Co., 8; A. W. Dudley, 8; J. D. Fielding, 8; Petty Sales, 12; M. W. Fuller, 6; A. W. Green, 6; D. D. Morse, St. Louis, Mo., 6; J. F. Warner, 8; C. W. Marshall, 6; C. E. Rogers, 6; D. W. Metcalf, City, 6; H. C. Parker, 6; Lawrence Cook, 6.

EXERCISE XLIII

To the Student: You may now write up the Cash Book, Sales Book and Journal for August. Use a double sheet of journal paper, the Journal entries to go on page 1 and the Cash Book entries on pages 2 and 3, thus:

Aug. 1. Record in Cash Book on debit side and check-mark entry in Day Book.

" 1. Record in Cash Book on credit side and check-mark entry in Day Book.

" 3. Record cash payment in Cash Book on credit side, thus: *Aug. 3, Louis Gould & Co., $258.40.*

Aug. 3. Record note payment in Journal, thus:

Aug. 3, Louis Gould & Co......$200
Bills Pay..... $200

Aug. 6. Record in Sales Book, then in Cash Book on debit side.

" 8. Record in Sales Book only.

Aug. 10. Record in Journal, crediting J. A. & Co. for full amount of bill. Record the cash payment in Cash Book on credit side, debiting J. A. & Co. for the payment. Record the payment for freight in the Cash Book on credit side.

Complete the transactions, always check-mark in Day Book to show transfer, and remember that each entry in the Cash Book must show proper debit and credit.

EXERCISE XLIV

To the Student: You are now ready to post from the Sales Book, Journal and Cash Book to the Ledger.

While it is customary in business to keep the posting up to date, it will not be altogether convenient for you to follow the dates and post first an entry from the Sales Book or Journal, and then one from the Cash Book, or the reverse; therefore you may post, first the Sales Book, next the Journal and lastly the Cash Book.

POSTING THE JOURNAL

The debits and credits will be posted from the Journal in the usual manner You will, however, observe the following:

In this set the explanatory column in the Ledger is to be used. When a debit item is being posted to the debit side of the proper account in the Ledger, the name of the credit item will be written in the explanatory space. By so doing we are able to determine the nature of the item that produces the debit. The procedure is reversed when a credit item is posted, e. g.: The first debit item is Merchandise, which will appear on the debit side of the Merchandise account as follows: *Aug. 1, C. H. Fargo & Co., $270.*

The second debit, which is posted on debit side of Mdse. account: *Aug. 3, Louis Gould & Co., $458.40.*

Continue the same with the rest of the debit items.

The first credit item in the Journal is C. H. Fargo & Co. Write on the credit side of this account, *Aug. 1, Mdse., $270.*

The second credit item is Louis Gould & Co. Write on the credit side of this account, *Aug. 3, Mdse., $458.40.*

POSTING THE CASH BOOK

To Post the Debit Side.—The cash account in the Ledger is to be debited for the total amount received, $2754.05; post-mark the entry. The credit items that make up the total debit of $2754.05 are to be posted, item by item, viz.: Cr. A. W. Mason for $2500; post-mark the entry. Cr. J. D. Fielding for $13; post-mark the entry. Cr. C. H. Dexter for $10; post-mark the entry. The explanation will be cash in each case. Proceed in like manner with the rest of the items on the debit side of the Cash Book.

To Post the Credit Side.—The total, $1974.27, is to be posted to the credit side of the cash account; post-mark the entry. All the items on this side of the Cash Book are debit items and must be posted to the debit side of the various accounts in the Ledger, viz.: Dr. C. H. Fargo & Co., $270; post-mark entry. Dr. Louis Gould & Co., $258.40; post-mark entry. Dr. J. Armstrong & Co., $199.20. Dr. Mdse. (Frght.) $7.50, etc.

As soon as you have completed the posting take a trial balance and compare with the following results:

Cash on hand	$779.78
Bills Rec. on hand	52.02
Bills Pay. unpaid	20.
Personal accounts owing me	19.60
Personal accounts I owe	487.50

Copy the following:

INVENTORY OF PROPERTY UNSOLD, AUGUST 31, 19—

54 pr.	French Calf Pegged Boots,	@ $3.50	***			
10 "	Farmers' Kip Boots,	@ 2.60	**			
68 "	Boys' Fine Kip Boots,	@ 2.00	***			
46 "	Ladies' Lasting Balmorals,	@ 1.25	**	**		
220 "	Buff Oxford Shoes,	@ 2.15	***			
114 "	Children's Buff Balmorals	@ 1.25	***	**		
67 "	Kip Brogans,	@ 2.35	***	**		
234 "	Kip Plow Shoes,	@ 2.00	***			
300 "	Misses' Calf Balmorals,	@ 1.75	***			
77 "	Ladies' Kid Sewed Balmorals,	@ 2.50	***	**		
21 "	Boys' Stoga Boots,	@ 1.75	**	**		
					****	**

EXERCISE XLV

To the Student: You may now close the Ledger. However, you will only close accounts showing losses and gains. Credit up the inventory and close the following accounts: Mdse., Interest and Expense. Before closing Profit and Loss account, test it with the Proprietor's account, which should show, when closed, A. W. Mason's net capital at closing, $2747.60. Close Profit and Loss account, and also Mason's account. Make a balance sheet.

EXERCISE XLVI

To the Student: Write up Journal, Sales Book, and Cash Book for the transactions for September. Write cash entries for September beneath those recorded for August. Have work approved.

19—								
Sept.	1		Bought of D. B. Bradshaw, Lynn, Mass.,					
			56 pr. Farmers' Kip Boots,	2 62			146	72
			Gave my note at 20 da. in payment		146	72		
			Paid freight on same in cash,				13	75
	3		Paid J. Armstrong & Co. cash on account,				75	
	3		Bought of J. B. Merriam, Boston,					
			60 pr. Boys' Stoga Boots,	1 60	96			
			24 " Kip Brogans,	2 25	54			
			30 " Children's Buff Bal.,	1 20	36		186	
			Gave in part payment my note at 30 da.,		100			
			Paid cash for freight and drayage,				7	45
	4		Sold D. D. Morse, St. Louis, Mo.,					
			12 pr. Misses' Calf Bal.,	2 25	27			
			6 " Kip Plow Shoes,	2 00	12			
			6 " Farmers' Kip Boots,	3 12	18	72		
					57	72		
			10% and 5% off,		8	37		
					49	35		

BILLS

When Received.	No.	L. F.	Maker or Acceptor.	In Favor of	Where Payable.	Received for	Date of Paper.
19—							
Aug. 28	1		A. W. Green	Myself	His office	Mdse.	Aug. 28
Sept. 4	2		D. D. Morse	Myself	My office	Mdse.	Sept. 4

BILLS

When Issued.	No.	L. F.	Maker or Acceptor.	In Favor of	Where Payable.	Given for	Date of Paper.
19—							
Aug. 3	1		Myself	Louis Gould & Co.	My office	Mdse.	Aug. 3
12	2		Myself	Louis Gould & Co.	My office	Mdse.	12
Sept. 1	3		Myself	D. B. Bradshaw	My office	Mdse.	Sept. 1
3	4		Myself	J. B. Merriam	My office	Mdse.	3
11	5		Myself	Henry Warren	My office	Loan	11
12	6		Myself	J. Mershon & Co.	My office	Mdse.	12
13	7		Myself	Thomas Hamer	My office	Mdse.	13
14	8		J. E. Church	Myself	Un. Nat. Bank	Accomodat'n	14
15	9		Myself	J. Armstrong & Co.	My office	On acc't.	15

RECEIVABLE

When Due.														Amount.		Rate of Int.	Amount of Interest.		When and How Disposed of.
Time.	Year.	Jan.	Feb.	March.	April.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.						
60 days	19—										27			52	02				
60 "	19—											3		49	84				

PAYABLE

When Due.														Amount.		Rate of Int.	Amount of Interest.		When and How Redeemed.		
Time.	Year.	Jan.	Feb.	March.	April.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.								
90 days	19—											1		200		6%			Aug.	26	$125; Aug. 29, $55; Sept. 29, $20.
10 "	19—								22					700		6%	1	17	Aug.	22	Paid in Cash.
20 "	19—									21				146	72				Sept.	24	Paid in Cash.
30 "	19—										3			100							
90 "	19—												10	177	63						
15 "	19—									27				50				13	Sept.	27	Paid in Cash.
30 "	19—										13			75							
30 "	19—										14			1600							
40 "	19—										25			75							

Sept.	4		Received in payment his note at 60 da. with 6% interest added,					
			Interest on $49.35 for 60 da. at 6%,			49		
			Face of note received,				49	84
	7		Sold Geo. W. Simpson, on acct.,					
			4 pr. Kip Brogans,	2 65	10	60		
			2 " Ladies' Lasting Bal.,	1 62	3	24	13	84
	8		J. Armstrong & Co. have drawn on me at sight through Commercial National Bank, paid cash for draft and exchange,					
			Face of draft,		100			
			Exchange,			75	100	75
	9		Sold R. C. Windsor, Milwaukee,					
			10 pr. French Calf Pegged Boots,	3 85	38	50		
			6 " Farmers' Kip Boots,	2 95	17	70	56	20
			Received in part payment,		25			
	10		Petty sales per cash drawer,				62	40
	11		Borrowed of Henry Warren on my note,					
			Face of note, interest added,				177	63
			Interest for 90 da. at 6%,		2	63		
			Proceeds received in cash,		175			
	12		Bought of J. Mershon & Co., Chicago,					
			24 pr. Boys' Stoga Boots,	1 65	39	60		
			36 " Men's Thick Boots,	3 50	126			
			50 boxes Mason's Challenge Blacking,	02½	1	25	166	85
			Gave in payment cash,		66	85		
			My note at 15 da. at 6%,		50			
	13		Bought of Thos. Hamer,					
			12 pr. Custom Kip Boots,	2 60	**	**		
			24 " Calf Bal.,	3 25	**	**	109	20
			Gave in part payment my note at 30 da.,		75			
	14		J. E. Church has accepted my draft on him at 30 da., my favor, payable at Union National Bank, for my accommodation, which I have discounted at the same bank,					
			Face of draft,				1600	
			Discount off at 7%,		9	33		
			Proceeds to my credit,		1590	67		
	15		Paid J. Armstrong & Co., on acct.,					
			My note at 40 da. for		75			
			Cash,		80		155	
	16		Shipped L. B. Montonya & Co., Cincinnati, for sale on my account and risk,					
			20 pr. Ladies' Lasting Bal.,	1 20	**			
			50 " Ladies' Kid Sewed Bal.,	2 50	***			
			44 " French Calf Pegged Boots,	3 50	***			
			80 " Kip Brogans,	2 35	***		***	
			Boxing and drayage paid in cash,				4	80
	17		Sold R. A. Lambert,					
			7 pr. Kip Brogans,	2 50	**	**		
			3 " Boys' Fine Kip Boots,	2 25	*	**		
			1 " Farmers' Kip Boots,		4		**	25
			Received in part payment,		20			

Sept.	18	Bought of J. B. Middleton & Co., for cash,				
		New set of books for office,			13	25
	19	Sold R. C. Windsor, Milwaukee,				
		2 pr. Calf Bal., 4 00	8			
		4 " Kip Plow Shoes, 2 25	9		17	
		Received his check on account,	10			
	20	Have drawn on L. B. Montonya & Co. at 10 da. sight against consignment of 16th inst.,				
		Face of draft,			400	
		Discount off 12 da. at 6%,		80		
		Exchange, ⅛%,		50		
		Proceeds placed to my credit,	398	70		
	20	Paid cash for advertising in The Times to date,			19	50
	21	Paid cash for my note favor D. B. Bradshaw of the 1st inst.,				
		Face of note,	146	72		
		Interest on same for 20 da. at 6%,		49	147	21
	24	A. W. Mason has withdrawn for private use, cash,			25	
	25	Drew at sight on R. C. Windsor for balance of his account,			38	20
		Charges for collection,		25		
		Proceeds to my credit,	37	95		
	26	Sold J. W. Lunt,				
		2 pr. Ladies' Lasting Bal., 1 80	3	60		
		2 " Boys' Stoga Boots, 2 30	4	60	8	20
		Received cash on account,	10			
	27	Paid cash for my note of the 12th inst., favor J. Mershon & Co.,				
		Face of note,	50			
		Interest for 15 da. at 6%,		13	50	13
	28	Received from L. B. Montonya & Co. an account sales of my shipment of the 16th inst.,				
		Net proceeds,			531	50
	29	Sold J. F. Warner,				
		6 pr. Kip Plow Shoes, 2 25	13	50		
		2 " Farmers' Kip Boots, 3 10	6	20		
		3 " Men's Thick Boots, 4 00	12		31	70
		Received in payment balance of my note favor Louis Gould & Co. of the 3d ult.,	20			
		Interest due on same at 6%,		**		
		Cash for balance,	10	**		
	30	Received cash of Geo. W. Simpson, on acct.,			10	
	30	Paid cash for rent of store for September,			60	

EXERCISE XLVII

To the Student: Post transactions for September from Journal, Sales Book and Cash Book to Ledger, and take a trial balance. Test trial balance with following:

RESULTS

Cash on hand	$2466.60
Bills Receivable on hand	101.86
Bills Payable unpaid	2027.63
Personal Accounts owing me	161.39
Personal Accounts I owe	327,70

INVENTORY OF PROPERTY UNSOLD, SEPTEMBER 30, 19–

22 pr.	Ladies' Lasting Bal.,	@ $1.50	**			
27 "	Ladies' Kid Sewed Bal.,	@ 2.50	**	**		
51 "	Farmers' Kip Boots,	@ 2.75	***	**		
65 "	Boys' Fine Kip Boots,	@ 2.00	***			
103 "	Boys' Stoga Boots,	@ 2.00	***			
218 "	Kip Plow Shoes,	@ 1.75	***	**		
288 "	Misses' Calf Bal.,	@ 1.60	***	**		
220 "	Buff Oxford Shoes,	@ 2.00	***			
144 "	Children's Buff Bal.,	@ 1.25	***			
33 "	Men's Thick Boots,	@ 3.50	***	**		
12 "	Custom Kip Boots,	@ 2.50	**			
22 "	Calf Bal.,	@ 3.25	**	**		
50 boxes	Mason's Challenge Blacking.	@ .02½	*	**		
					****	**

EXERCISE XLVIII

To the Student: Close the Ledger as directed in August, and in addition close all the real accounts. Make out a balance sheet.

PRICE LISTS FOR AUGUST AND SEPTEMBER

The prices given in the following lists may be substituted for those given in the transactions if thought desirable:

ARTICLES.	BUYING PRICES FOR AUG. AND SEPT.					SELLING PRICES FOR AUG. AND SEPT.				
	List 1.	2	3	4	5	List 1.	2	3	4	5
Boys' Fine Kip Boots	$2.00 pr.	$2.25	$2.10	$2.20	$2.00	$2.25 pr.	$2.50	$2.35	$2.50	$2.25
Boys' Stoga Boots	1.60 pr.	1.40	1.50	1.60	1.65	1.80 pr.	1.60	1.70	1.75	1.85
Buff Oxford Shoes	1.75 pr.	1.60	1.75	1.85	1.70	2.00 pr.	1.85	2.00	2.10	2.00
Calf Bal.	2.75 pr.	2.50	2.60	2.70	2.50	3.00 pr.	2.75	2.80	2.90	2.60
Children's Buff Bal.	1.00 pr.	1.10	1.15	1.00	1.15	1.15 pr.	1.25	1.30	1.15	1.25
Custom Kip Boots	2.00 pr.	1.80	1.75	2.00	2.25	2.25 pr.	2.00	2.10	2.25	2.50
French Calf Pegged Boots	3.75 pr.	3.50	3.60	3.70	3.75	4.00 pr.	4.25	4.80	4.00	4.10
Farmers' Kip Boots	2.50 pr.	2.25	2.50	2.40	2.60	2.75 pr.	2.50	2.75	2.70	3.00
Kip Plow Shoes	1.50 pr.	1.60	1.40	1.30	1.50	1.75 pr.	1.85	1.70	1.60	1.80
Kip Brogans	2.00 pr.	2.10	1.80	1.90	2.10	2.25 pr.	2.35	2.10	2.15	2.40
Ladies' Lasting Bal.	1.50 pr.	1.40	1.60	1.80	1.40	1.75 pr.	1.60	1.80	2.00	1.75
Ladies' Kid Sewed Bal.	2.00 pr.	2.10	1.80	2.15	1.90	2.25 pr.	2.35	2.00	2.40	2.15
Men's Thick Boots	3.00 pr.	2.75	2.85	3.00	3.15	3.40 pr.	3.00	3.00	3.50	3.50
Misses' Calf Bal.	1.50 pr.	1.25	1.30	1.40	1.60	1.75 pr.	1.50	1.50	1.75	2.00
Mason's Challenge Blacking	.02 bx.	.02	.02	.02½	.02½	.05 bx.	.05	.05	.05	.05

RESULTS FOR AUGUST

	List 1.	2	3	4	5
Cash on hand	$862.08	$909.33	$959.38	$912.48	$846.58
Bills Receivable on hand	45.20	45.30	47.67	45.20	46.86
Bills Payable unpaid	29.00	21.20	24.80	38.00	32.60
Personal Accounts receivable	6.55	6.10	7.25	8.00	7.50
Personal Accounts payable	385.46	370.55	390.47	400.78	397.55
A. W. Mason's net capital	2553.47	2556.48	2559.23	2554.75	2557.44

RESULTS FOR SEPTEMBER

	List 1.	2	3	4	5
Cash on hand	$2537.36	$2606.33	$2644.80	$2582.48	$2515.61
Bills Receivable on hand	86.65	83.39	86.27	85.61	92.43
Bills Payable unpaid	2027.63	2027.63	2027.63	2027.63	2027.63
Personal Accounts receivable	145.80	146.65	145.25	147.35	148.65
Personal Accounts payable	177.91	134.90	162.32	189.48	203.65
A. W. Mason's net capital	2546.07	2554.09	2592.12	2547.43	2554.66

To the Student: Read the introductory instructions, then write up the Cash Book, Journal and Sales Book as per model forms given.

INSTRUCTIONS FOR OCTOBER AND NOVEMBER

It has been decided to change the form of our books somewhat. We will dispense with the use of the Day Book as a separate book, and make the Day Book explanations in the Journal immediately after each Journal entry. This will make our Journal what is sometimes called a "*Journal-Day Book*" or an "*Explanatory Journal.*" The explanations should be written in a smaller hand than the Journal entry. See form of Journal on page 110.

The Day Book as a separate and distinct book is now very little used among practical bookkeepers, its use being properly supplied by explanations to entries in other books.

All cash transactions will be entered at once in the Cash Book, and will not appear in the Journal. The explanation to each entry in the Cash Book must be carefully made, since it is to serve instead of a Day Book entry. This method will make our Cash Book and Journal books of *original entry*, since the transactions are entered *first* in them.

TRANSACTIONS

Oct. 1, 19—. A. W. Mason has this day admitted J. B. Campbell as a partner in the business, gains and losses to be shared as follows: A. W. Mason two-thirds and J. B. Campbell one-third. J. B. Campbell invests cash, $1500, and pays A. W. Mason $500 for one-third of the good-will of the concern.

This should be entered in full in the Journal, so as to preserve a complete record of this important transaction. See form, page 110.

Oct. 1. Sold to C. W. Marshall for cash, 1 pr. Men's Thick Boots, $4.25.

Enter this in Sales Book as per form on page 107.

Oct. 1. Petty sales per cash drawer, $18.30.

Before attempting to make the entries for this read explanation under "*The Petty Sales Column*," page 108.

Oct. 1. Sold to W. F. Johnson, 6 pr. Men's Thick Boots at $4, $**; 2 pr. Boys' Stoga Boots at $2.20, $*.**. Total $**.**. Received in part payment, cash, $20.

Enter the sale in the Sales Book. See form, page 107. Enter the cash in the Cash Book to the credit of W. F. Johnson. See form, page 108.

Oct. 3. Bought of J. Armstrong & Co., 30 pr. Kip Balmorals at $2, $**; 12 pr. Calf Balmorals at $2.75, $**. Total $**. Gave in payment cash, less cash discount 3%, $**.**.

The new firm having ample cash on hand, has decided to discount all its bills, and secure the benefit of the cash discounts offered by the wholesale houses. Before attempting to enter this item in the Cash Book, read carefully "*How to Enter Cash Discounts*," on page 109.

Oct. 3. Paid cash for our note of the 3d ult., favor J. B. Merriam, Boston, and interest to date. Face of note, $100; interest at 6%, $.**. Total $***.**.

Oct. 4. Shipped to Thompson & White, Omaha, Neb., for sale on joint account of ourselves and themselves, each one-half: 40 pr. Boys' Fine Kip Boots at $2, $**; 25 pr. Boys' Stoga Boots at $1.80, $**; 100 pr. Kip Plow Shoes at $2, $***; 20 pr. Men's Thick Boots at $3.75, $**; 50 pr. Misses' Calf Balmorals at $1.75, $**.**. Total $487.50.

See Sales Book.

Oct. 6. Sold to Geo. W. Simpson, on account, 2 pr. Farmers' Kip Boots at $3, $*; 4 pr. Kip Balmorals at $2.50, $**. Total $**. 10% and 5% off, $*.**. Net amount $**.**.

Oct. 7. Bought of D. B. Bradshaw, Lynn, Mass., 30 pr. Farmers' Kip Boots at $2.40, $72; 20 pr. Custom Kip Boots at $3, $60. Total $132. 10% and 5% off. Net amount $***.**. 2% off for cash in 10 days.

Enter in your Journal the net amount after taking off the trade discounts. Do not take off the cash discount until you pay the bill.

Oct. 7. Petty sales per cash drawer, $10.60.

Oct. 10. Sold to R. C. Windsor, 6 pr. Boys' Stoga Boots at $2, $**; 3 pr. Children's Buff Balmorals at $1.45, $*.**; 3 pr. Buff Oxford Shoes at $2.50, $*.**. Total $**.**. Received in part payment, cash, $20.

Oct. 11. Borrowed at First National Bank on our note at 60 days, $1000. Interest deducted at 7%, $**. Net proceeds received in cash, $***.

Oct. 13. Paid cash for our 30 days' note, favor Thomas Hamer, now due. Face of note, $75; interest to date at 6%, $.**. Total $**.**.

Oct. 14. Bought of C. M. Henderson & Co., Chicago, 8 pr. Calf Balmorals at $3, $**; 6 pr. Custom Kip Boots at $2.50, $**. Total $**. 20% and 5% off, $**.**. Net amount of bill, $**.**.

Oct. 15. Paid D. B. Bradshaw, Lynn, Mass., amount of invoice of 7th inst. less cash discount. Invoice $112.86. Cash discount 2%, $2.26. Remitted New York draft for $110.60. Paid exchange on draft 25¢.

Oct. 17. Paid cash for J. E. Church's acceptance of the 14th ult., favor Union National Bank, $1600.

Oct. 17. Cash sales to transient customers, $4.30.

Oct. 18. Sold to W. F. Johnson, 3 pr. Farmers' Kip Boots at $3.25, $*.**; 2 pr. Boys' Fine Kip Boots at $2.50, $*. Total $14.75.

Oct. 20. Remitted to J. B. Merriam, Boston, in full of account, New York exchange, $**; premium on draft, 50¢. Total $**.**.

Oct. 21. Remitted to C. M. Henderson & Co., Chicago, amount of their invoice of the 14th less cash discount at 3%. Net amount of invoice, $**.**. 3% cash discount, $.**. Net cash remitted, $**.**.

Oct. 23. Received of Geo. W. Simpson, on account, cash, $10.

Oct. 24. Sold to R. C. Windsor, Milwaukee, 4 pr. Calf Balmorals at $3.75, $**; 3 pr. Buff Oxford Shoes at $2.50, $*.**. Total $22.50. Received in part payment, cash, $15.

Oct. 25. Paid J. Armstrong & Co., cash for our note of the 15th ult. and interest. Face of note, $**; interest at 6%, $.**. Total $**.**.

Oct. 26. Petty sales per cash drawer, $42.75.

Oct. 27. Received cash of A. W. Green in payment of his note of August 28, $**.**.

Oct. 29. Received an account sales from Messrs. Thompson & White, Omaha, Neb., of our shipment of the 4th inst. on joint account. Our one-half net proceeds, $284.16.

Oct. 30. Paid J. Mershon & Co., on account, D. D. Morse's note of the 4th ult., $**.

Oct. 30. Sold to C. E. Rogers, 3 pr. Buff Oxford Shoes at $2.50, $*.**; 5 pr. Misses' Calf Balmorals at $2, $**; 5 boxes Mason's Challenge Blacking at 5¢, $.**. Total $**.**. Received in payment cash in full.

Oct. 30. Paid cash for advertising in *The Sun* to date, $16.50.

Oct. 30. Paid rent of store for October in cash, $60.

19— **SALES BOOK**

Oct.	1	C. W. Marshall — Cash						
		1 pr. Men's Thick Boots,					4	25
	1	Petty Cash Sales — Per cash drawer					18	30
	1	W. F. Johnson, — on acct.						
		6 prs. Men's Thick Boots,	$4.	24				
		2 " Boys' Stoga Boots,	2.20	4	40		28	40
							243	75
	4	Thompson & White, Omaha, Neb.					243	75
		Shipt. Thompson & White.						
		40 prs. Boys' Fine Kip Boots,	$2.	80				
		25 " Boys' Stoga Boots,	1.80	45				
		100 " Kip Plow Shoes,	2.	200				
		20 " Men's Thick Boots,	3.75	75				
		50 " Misses' Calf Balmorals,	1.75	87	50			
				487	50			
	6	Geo. W. Simpson, — on acct.						
		2 prs. Farmers' Kip Boots,	$3.	6				
		4 " Kip Balmorals,	2.50	10				
				16				
		10% and 5% off,		2	32		13	68

INVENTORY OF PROPERTY UNSOLD, OCTOBER 31, 19—

6	pr.	Men's Thick Boots,	@ $3.50	**			
22	"	Ladies' Lasting Balmorals,	@ 1.30	**	**		
27	"	Ladies' Kid Sewed Balmorals,	@ 2.50	**	**		
76	"	Farmers' Kip Boots,	@ 2.75	***	**		
23	"	Boys' Fine Kip Boots,	@ 2.00	**			
70	"	Boys' Stoga Boots,	@ 1.85	***	**		
118	"	Kip Plow Shoes,	@ 1.80	***	**		
233	"	Misses' Calf Balmorals,	@ 1.65	***	**		
211	"	Buff Oxford Shoes,	@ 2.12½	***	*8		
141	"	Children's Buff Balmorals,	@ 1.30	***	**		
38	"	Custom Kip Boots,	@ 2.75	***	**		
38	"	Calf Balmorals,	@ 3.35	***			
26	"	Kip Balmorals,	@ 2.15	**	**		
45	boxes	Mason's Challenge Blacking,	@ .02½	*	*3		
						****	**

CASH

19–				Petty Sales.		Sundry.		Total.	
Oct.	1		Balance,					2466	60
	1	J. B. Campbell,	Investment,			1500			
	1	C. W. Marshall,	On account,			4	25		
	1	✓ Petty Sales,	Per C. D.,	18	30				
	1	W. F. Johnson,	On account,			20			
	7	✓ Petty Sales,	Per C. D.,	10	60				
	10	R. C. Windsor,	On account,			20			
	11	Bills Pay.,	Note favor Fst. Nat. Bk.			1000			
	17	✓ Petty Sales,	Cash Sales,	4	30				
	23	Geo. W. Simpson,	On account,			10			
	24	R. C. Windsor,	On account,			15			
	26	✓ Petty Sales,	Per C. D.,	42	75				
	27	Bills Rec.,	A. W. Green's note,			52	02		
	30	C. E. Rogers,	On account.			17	75		
			Total Petty Sales, Cr.,			75	95		
			Total Receipts,					2714	97
								5181	57

RESULTS, OCTOBER 31, 19–

Cash on hand	$2925.71
Bills Payable unpaid	1177.63
Personal Accounts owing us	727.48
Personal Accounts we owe	191.86
A. W. Mason's Net Capital at closing	2745.71
J. B. Campbell's Net Capital at closing	1556.95

PETTY SALES COLUMN

Wherever the nature of the business is such that frequent petty cash sales are made, each of which must be entered upon the Cash Book, it is often expedient to use a separate column on the debit side of the Cash Book, called the Petty Sales column, into which such items are entered. Check-mark all such entries as soon as made on the debit side of the Cash Book. As will be seen by reference to the above form, the Petty Sales column is the first money column upon the debit side, and into this are carried all petty sales of merchandise. At the end of the month in this set (or at the end of each day, if the Cash Book is closed daily), the total amount of this column is extended into the Sundries column, where it is added in with other cash receipts. This total of the Petty Sales column is posted to the credit of Petty Sales account. By the use of this column the numerous postings of small items of sales are avoided. In fact, the introduction of special columns in all cases is to avoid the necessity of posting numerous small items. Of course, as petty sales are made they must be entered in the Sales Book and posted as heretofore. Some bookkeepers would enter all sales for cash in this special column and in the Sales Book as well, and would check (instead of post) both entries, but this is not the practice followed by the best houses.

CASH

19—				Cash Dis.		Sunds.		Total.	
Oct.	3	J. Armstrong & Co.,	On account,	2	79	90	21		
	6	Bills Pay.,	Favor J. B. Merriam,			100			
	6	Int. and Dis.,	Above note,				**		
	11	Int. and Dis.,	On note favor First Nat. Bk.,			11	67		
	13	Bills Pay.,	Favor Th. Hamer,			75			
	13	Int. and Dis.,	On above note,				**		
	15	D. B. Bradshaw,	Invoice of 7th,	2	26	110	60		
	15	Coll. and Ex.,	On New York Draft,				25		
	17	Bills Pay.,	Favor Union Nat. Bk.,			1600			
	20	J. B. Merriam,	In full of acct.,			86			
	20	Coll. and Ex.,	On Draft,				50		
	21	C. M. Henderson & Co.	Invoice of 14th,		89	28	75		
	25	Bills Pay.,	Favor J. Armstrong & Co.,			75			
	25	Int. and Dis.,	On above note,				**		
	30	Expense,	Advertising in *The Sun*			16	50		
	30	Expense,	Rent for October,			60			
			Total Disct. Cr.,	5	94				
			Total Payments,					****	**
			Balance,					****	**
								5181	57

HOW TO ENTER CASH DISCOUNTS

The thrifty merchant "discounts his bills" by paying them before due, and thus secures the extra discount allowed by wholesale houses for prompt payment, called *Cash Discount.* (See page 87.) He keeps a "Cash Discount" account in the Ledger in order that he may know, at any time, how much he has gained by discounting his bills.

There are three methods of entering cash discounts: 1. By means of a Journal entry, debiting the person or firm to whom the bill is due, and crediting Cash Discount account. 2. By entering in the Cash Book the entire amount of the bill upon the credit side, and the cash discount upon the debit side, as if the entire amount had been first paid out and the cash discount received again in return. This follows the method of entering drafts and notes discounted. 3. By using a column for cash discounts upon the credit side of the Cash Book as shown in the above form. This method is the one which seems to have the preference among practical bookkeepers.

Whenever a bill is paid upon which there is a cash discount, enter the amount of such discount in the Cash Discount column, and the net amount paid in the second column. Post both of these items to the debit of the person's account separately, using the explanation, *To Cash Discount*, for the amount of such discount.

When closing the Cash Book, foot up the Cash Discount column, but *do not extend* the total into the Sundries column, as it is *not money paid out.* Post the total of the Cash Discount column to the *credit* of Cash Discount account in the Ledger. The several items in the Cash Discount column having been posted to the *debit* of the

JOURNAL-DAY BOOK

19—								
Oct.	1		A. W. Mason has this day admitted J. B. Campbell as a partner in the business, the gains and losses to be shared as follows: A. W. Mason $\frac{2}{3}$, J. B. Campbell $\frac{1}{3}$. J. B. Campbell invests cash $1500, and pays Mason $500 for one-third of the good-will of the concern.				
	3		Mdse.,	93			
			J. Armstrong & Co.,			93	
			For goods bought as per bill.				
	7		Mdse.,	112	86		
			D. B. Bradshaw,			112	86
			For goods bought as per bill.				
	14		Mdse.,	29	64		
			C. M. Henderson & Co.,			29	64
			For goods bought as per bill.				
	29		Thompson & White,	284	16		
			Shipment to Thompson & White,			284	16
			For amount due as per account sales.				
	30		J. Mershon & Co.,	49	84		
			Bills Rec.,			49	84
			Gave J. M. & Co. Morse's note on acct.				

various personal accounts, when the total of this column is posted to the *credit* of Cash Discount account the equilibrium of the Ledger is restored.

EXERCISE XLIX

To the Student: Post the several items of the Sales Book to the debit side of their respective accounts. Post the total to the credit side of Merchandise account. Post the Journal entries in the usual manner.

Post the Cash Book. *Debit Side.*—Post the total of the debit side to the debit of the Cash account in the Ledger. Post the total of the Petty Sales column to the credit of the Petty Sales account in the Ledger. The remaining items are credit items and are to be posted to the credit of the various accounts. *Credit Side.*—Post the credit side of the Cash Book first by posting the total payments to the Cash account in the Ledger. The debit items are as follows: J. Armstrong & Co. have two debits, and these items will be posted as follows on the debit side of their account:

Oct. 3, Cash.....$90.21
" *3, Cash dis*..... 2.79

Post the rest of the items as per instructions. The total of cash discount is to be posted to the credit of that account.

Take a trial balance and test same with the results as shown on page 108.

Copy the inventory as usual.

EXERCISE L

To the Student: Close the Ledger as directed for August. Make out a balance sheet.

EXERCISE LI

To the Student: Write up the Cash Book, Journal and Sales Book for the following transactions:

Nov. 1, 19—. Bought of H. D. Comstock & Co., New York, 12 pr. Custom Kip Boots at $2.60, $31.20; 8 pr. Ladies' Lasting Balmorals at $1.12½, $9. Total $40.20. 10% off, $4.02. Net amount of invoice, $36.18, 5% off for cash in 10 days. In J.

Nov. 2. Paid Thomas Hamer in full of account, our draft on L. B. Montonya & Co. at sight, $**.**. In J.

Nov. 3. Received cash of Geo. W. Simpson, on account, $5. In C. B.

Nov. 4. Sold R. C. Windsor, 3 pr. Farmers' Kip Boots at $3.15, $*.**; 2 pr. Kip Plow Shoes at $2, $*. Total $13.45. In S. B.

Nov. 5. Petty sales per cash drawer, $21.40. In C. B.

Nov. 6. Remitted our check on the Chemical National Bank of New York in settlement of H. D. Comstock & Co.'s invoice of the 1st inst., less cash discount. In C. B.

Nov. 7. Sold to J. D. Fielding for cash, 1 pr. Custom Kip Boots, $4.50. In S. B. and C. B.

Nov. 8. Sold to D. W. Metcalf for cash, 1 pr. Misses' Calf Balmorals, $2; 1 pr. Buff Oxford Shoes, $2.50. Total $4.50.

Nov. 9. Paid cash for freight and drayage on invoice of goods received from C. H. Fargo & Co., Chicago, $4.19.

Nov. 9. Bought of C. H. Fargo & Co., Chicago, 8 pr. Farmers' Kip Boots at $2.50, $20; 12 pr. Calf Balmorals, $3, $36; 20 pr. Kip Plow Shoes at $1.80, $36. Total $92. 12½% and 5% off.

Nov. 10. Sold to Geo. W. Simpson, 4 pr. Kip Balmorals at $2.50, $**; 2 pr. Children's Buff Balmorals at $1.75, $*.**; 3 pr. Boys' Stoga Boots at $2.25, $*.**. Total $**.**.

Nov. 11. Received cash of C. H. Dexter in full of account, $*.**.

Nov. 12. Paid clerk hire to date, $43.50.

Nov. 12. Paid gas bill for October, $16.35.

Nov. 13. Paid C. H. Fargo & Co. cash for invoice of goods received on the 9th, less 2% cash discount.

Nov. 14. Sold to J. W. Lunt, 2 pr. Calf Balmorals at $3.75, $*.**; 4 pr. Buff Oxford Shoes at $2.50, $**; 2 pr. Farmers' Kip Boots at $3, $*; 6 pr. Men's Thick Boots at $4, $**. Total $47.50. 12½% and 5% off, $*.**. Net amount, $**.**.

Nov. 15. Received of R. C. Windsor his check on a Milwaukee bank in settlement of his account, $**.**. Our bank charged us 25¢ exchange on this check.

Nov. 16. Petty sales per cash drawer, $13.58.

Nov. 17. Bought of Louis Gould & Co., Philadelphia, 24 pr. Ladies' Kid Sewed Balmorals at $2.50, $60; 20 pr. Boys' Stoga Boots at $2.80, $56. Total $116. Terms, 30 days or 5% cash 10 days.

Nov. 18. Received cash of J. Riley in full of account, $*.**.

Nov. 20. Remitted Louis Gould & Co., Philadelphia, New York exchange, in settlement of their invoice received on 17th, less cash discount.

Nov. 21. Received cash of Geo. W. Simpson on account, $20.

Nov. 21. J. B. Campbell withdraws, for private use, cash, $50.

Nov. 22. Sold to A. W. Dudley, 1 pr. Boys' Stoga Boots, $3.50; 2 pr. Ladies'

Lasting Balmorals at $2.25, $4.50; 1 pr. Ladies' Kid Sewed Balmorals, $3. Total $11. Received in part payment, cash, $5.

Nov. 23. Petty sales per cash drawer, $18.20.

Nov. 24. Paid cash for Postage Stamps, $5.

Nov. 25. Received of Thompson & White their note, dated October 16th, at 60 days, drawing 6% interest for amount of their account, $***.**. Have discounted this note at First National Bank at 7%. Interest to maturity, $*.**. Discount off, $*.**. Proceeds placed to our credit, $***.**.

Journalize the note first.

Nov. 25. Bought of J. Armstrong & Co., 12 pr. Kip Brogans at $2.25, $27; 20 pr. Boys' Stoga Boots at $2.05, $41; 10 pr. Buff Oxford Shoes at $2.40, $24. Total $92. 5% off. Terms, 30 days, or 2% off cash 10 days.

Nov. 27. On checking off the invoice of goods received from J. Armstrong & Co., we find a damaged pair of Buff Oxford Shoes. We return them and charge same to their account, $2.40 less 5%.

Nov. 27. Remitted to J. Armstrong & Co., Philadelphia, bank draft in settlement for invoice of goods just received, less cash discount.

Nov. 28. Received of R. A. Lambert, cash in full of account, $*.**.

Nov. 29. Sold to H. C. Parker for cash, 1 pr. Buff Oxford Shoes, $2.75.

Nov. 29. Received of A. W. Dudley in full of account, cash, $*.

Nov. 29. Petty sales per cash drawer, $16.32.

Nov. 30. Paid rent of store for November in cash, $60.

EXERCISE LII

To the Student: Post transactions to the Ledger as per instructions for October. Take a trial balance and compare with following

RESULTS

Cash on hand	$3138.86
Bills Payable unpaid,	1177.63
Personal Accounts owing us	166.55
Personal Accounts we owe	157.66

INVENTORY OF PROPERTY UNSOLD, NOVEMBER 30, 19—

28	pr. Ladies' Lasting Balmorals,	@ $1.20	$ **	**
50	" Ladies' Kid Sewed Balmorals,	@ 2.50	***	
79	" Farmers' Kip Boots,	@ 2.80	***	**
23	" Boys' Fine Kip Boots,	@ 2.25	**	**
106	" Boys' Stoga Boots,	@ 2.00	***	
136	" Kip Plow Shoes,	@ 2.00	***	
232	" Misses' Calf Balmorals,	@ 2.00	***	
215	" Buff Oxford Shoes,	@ 2.10	***	**
139	" Children's Buff Balmorals,	@ 1.50	***	**
39	" Custom Kip Boots,	@ 2.75	***	**
48	" Calf Balmorals,	@ 3.50	***	
22	" Kip Balmorals,	@ 2.10	**	**
12	" Kip Brogans,	@ 2.25	**	
45	boxes Mason's Challenge Blacking,	@ .02½	*	*3
	Unpaid Clerk Hire for month (Liability),		36	75

EXERCISE LIII

To the Student: Close the Ledger as directed for September. The unpaid clerk hire will be entered as a liability inventory on the debit side of Expense account and be brought down as a credit balance when that account is closed.

Compare with following results and make out a balance sheet:

A. W. Mason's net capital at closing.....$2792.27
J. B. Campbell's net capital at closing..... 1530.23

Business Papers required for October and November:

Letter, Envelope and Draft of October 15. The draft is drawn by the First National Bank of Chicago on the Park National Bank of New York.

Letter, Envelope and Check of November 6.

PRICE LIST FOR OCTOBER AND NOVEMBER

The prices given in the following lists may be substituted for those given in the foregoing transactions if desired, in which case the results should correspond with those following these price lists.

The price list of the same number must be used for October and November as was used in August and September, as the business is simply a continuation. Thus, if the student has used Price List No. 1 in August and September, he can not now adopt No. 3 as his prices for October and November. This would produce incorrect results.

Before commencing to work the months of October and November under these price lists, the student should copy off upon a sheet of paper, the names of the articles and the buying and selling prices of the list which he expects to use, thus separating this price list from the others and avoiding the liability of confusion and error.

ARTICLES.	BUYING PRICES FOR OCT. AND NOV.					SELLING PRICES FOR OCT. AND NOV.				
	List 1.	2	3	4	5	List 1.	2	3	4	5
Boys' Fine Kip Boots.....	$2.25 pr.	$2.50	$2.30	$2.40	$2.35	$2.60 pr.	$2.75	$2.80	$3.00	$3.00
Boys' Stoga Boots.....	1.75 pr.	1.80	2.00	1.85	1.80	2.25 pr.	2.25	2.25	2.50	2.40
Buff Oxford Shoes.....	2.00 pr.	1.90	2.10	2.15	2.20	2.50 pr.	2.40	2.60	2.75	2.75
Calf Balmorals.....	3.00 pr.	3.25	3.50	3.25	3.25	3.50 pr.	3.75	4.00	4.00	4.00
Children's Buff Balmorals...	1.25 pr.	1.40	1.50	1.40	1.50	2.00 pr.	2.00	2.00	2.00	2.00
Custom Kip Boots.....	2.00 pr.	2.25	2.50	2.50	2.50	2.50 pr.	2.75	3.00	3.00	3.00
French Calf Pegged Boots..	4.00 pr.	4.25	4.00	4.10	4.15	4.50 pr.	4.75	4.50	4.60	4.75
Farmers' Kip Boots.....	2.75 pr.	2.75	3.00	3.25	3.00	3.25 pr.	3.25	3.50	3.75	3.50
Kip Plow Shoes.....	1.75 pr.	1.80	2.00	2.00	1.75	2.25 pr.	2.25	2.40	2.50	2.25
Kip Balmorals.....	2.00 pr.	2.25	2.00	2.25	2.00	2.50 pr.	2.50	2.75	2.75	2.75
Kip Brogans.....	2.00 pr.	2.10	2.25	2.50	2.75	2.50 pr.	2.60	2.75	3.00	3.25
Ladies' Lasting Balmorals..	1.80 pr.	2.00	2.00	2.00	1.85	2.25 pr.	2.50	2.50	2.50	2.25
Ladies' Kid Sewed Balmorals	2.25 pr.	2.30	2.40	2.50	2.25	3.00 pr.	2.75	3.00	3.00	2.75
Men's Thick Boots.....	3.00 pr.	3.25	3.50	3.40	3 25	3.50 pr.	3.75	4.00	4.00	3.75
Misses' Calf Balmorals.....	1.80 pr.	2.00	2.00	1.85	2.10	2.25 pr.	2.50	2.50	2.35	2.60
Mason's Challenge Blacking.	.02 bx.	.02	.02	.02½	.02½	.05 bx.	.05	.05	.05	.05

In computing interest on notes or drafts, and also in reckoning the amounts of bills of goods, add one cent when the fraction equals or exceeds five mills. If less than five mills, reject it.

RESULTS FOR OCTOBER

	List 1.	2	3	4	5
Cash on hand	$3009.40	$3069.32	$3102.02	$3023.86	$2960.90
Bills Payable unpaid	1177.63	1177.63	1177.63	1177.63	1177.63
Personal Accounts receivable	708.29	737.41	747.35	743.06	730.07
Personal Accounts payable	73.36	50.75	71.87	87 08	82.35
A. W. Mason's net capital	2805.59	2945.73	3056.09	2957.17	2920.30
J. B. Campbell's net capital	1629.76	1695.82	1731.98	1704.87	1682.82

RESULTS FOR NOVEMBER

	List 1.	2	3	4	5
Cash on hand	$3235.48	$3302.34	$3326.40	$3249.80	$3186.86
Bills Payable unpaid	1177.63	1177.63	1177.63	1177.63	1177.63
Personal Accounts receivable	180.89	201.27	201.68	195.78	192.62
Personal Accounts payable	52.05	36.15	56.40	67.60	65.55
A. W. Mason's net capital	2790.09	2928.77	3039.73	2941.94	2904.16
J. B. Campbell's net capital	1564.25	1628.86	1665.62	1639.64	1616.68

CORRECTION OF ERRORS

Of all rules with references to errors, the best rule is to avoid them entirely; but as it often happens that, notwithstanding the greatest care has been exercised, errors will creep in, it may be well to offer a few suggestions as to the best mode of correcting them.

The student who really aspires to any proficiency in accountantship should early learn to rely on himself, and should be made to feel that he is responsible for the errors which he commits, and he alone must discover and correct them. The teacher's sphere is to instruct in the principles and mode of procedure, and when he oversteps this and attempts to perform the student's work for him, he not only does the student a positive injury by lessening his self-reliance, but at the same time multiplies the sources of future annoyance.

In searching for an error and correcting it, the student has brought to mind the principles of bookkeeping and their application to each transaction. He studies the relations of the different books, and the whole subject is reviewed in his mind, so that when the error is discovered he sees how and why it occurred, and is able in future to avoid or guard against such pitfalls.

The correction of errors in books of original entry, and in books of subsequent entry, are governed by two different rules. In books of *original entry* the error must not be corrected in any manner which will impair the record, or raise a doubt as to its truthfulness. No erasures or alterations of words or figures are allowable. In books of *subsequent entry*, however, the general rule is that the error may be corrected in any manner which will not violate taste or destroy the neatness of the page. The reason of these two rules rests upon the fact that in cases of dispute, books of original entry are accepted as evidence of the truth, while any book which is a copy of another is not admissible in evidence.

DAY BOOK

Since this is a book of original entry, and the only kind admissible as evidence in a court of law, great care should be exercised in making corrections in it, lest we destroy or impair its credibility. Erasures and interlineations are not to be tolerated in this book, as they tend to cast suspicion upon the record. No alterations or additions to an entry, after it has been once made, are allowable in this book. If an error is discovered, it must be corrected in such a manner as to leave the original entry undisturbed and still legible in words and figures. The erroneous entry may be marked "void," "corrected page—," giving the page where the correct entry may be found; or, instead of marking it "void," we may draw light red lines through it, so as to destroy the entry without rendering it illegible, and then make a reference to the page where the corrected entry may be found. The correct entry should also

contain a reference to the erroneous entry, so that no misunderstanding may ever arise. If the error is not discovered until after it is posted, it may be necessary to make another Day Book entry to correct the wrong entry in the Ledger, unless it can be rectified according to the directions given under that head.

If the error consists in the omission of an item or items, and does not invalidate the part already entered, the error may be corrected by an additional entry referring by date and page to the other part of the entry, made in such a manner as will render the entire transaction clear. The above rules or directions will apply to other books of *original entry* as well as the Day Book.

JOURNAL

If an error is discovered in this book before posting, which can be corrected without seriously marring the appearance of the page, the necessary erasures and corrections may be made. If such erasures would seriously damage the appearance of the book, it is better to mark it "void," in the margin, and refer to the "corrected page," where the proper entry may be found, which should always refer back by date and page to the "void" entry. If the error is not discovered until after it has been posted, it can be corrected only by a new entry of sufficient amount to neutralize the error in the Ledger and produce the correct result; or two entries may be made—one to neutralize the error, and the other to represent the entry as it should have been made.

LEDGER

This is the book which affords the test of an accountant's neatness. Want of taste and carelessness in this book should be severely condemned, and hence great care should be exercised in the correction of errors, not to mar or deface the general appearance of the book. If a wrong sum has been posted to a wrong account, or to a wrong side of a proper account, reduce the figures carefully to zeros and then post the entry correctly. If an entry has been duplicated, correct as above indicated instead of making a contrary entry. If an entry has been omitted, post as soon as discovered, inserting the date of posting in the date column, and placing the date of the entry in the title column directly before the column containing the post-mark. Drawing light red lines through the figures of entries in the Ledger is an acceptable method of destroying the debit or credit, if neatly done.

TRIAL BALANCE

Errors in the Trial Balance, while a source of great annoyance to bookkeepers, are subject to a few rules worth remembering. *First.* Be sure that there is an error. *Second.* If the error should be in one figure, as 10, 200 or 5,000, it is probably an error in addition. *Third.* If the error is an even number, examine the Journal or Cash Book for a sum equal to one-half the error, since a posting to the wrong side always produces a discrepancy of twice the amount. The most potent rule for detecting errors in Trial Balances is checking the books, as explained on page 37. Many bookkeepers pursue the plan of always checking the Ledger immediately after the posting is finished and before attempting the Trial Balance, to make certain that it is in balance. This may sometimes be a useless labor, but in many other cases it saves the annoyance, disappointment and vexation of not getting the Trial Balance off the first time. This plan also detects any error which the Trial Balance will not

disclose, such as a posting to the same side of a wrong account, or two errors, one of which equalizes the other, and hence is a valuable method, and one which is commended to the young bookkeeper. In checking a Ledger, make the check-mark with pencil, small, and upon the margin of the money column.

Folio 218

STATEMENT

Chicago, Sept 1, 190

Mr. R. C. Windsor,

Milwaukee, Wis.

In Acc't with

Guthmann, Carpenter & Telling,

Manufacturers & Jobbers of

Boots and Shoes.

233 & 235 Monroe Street.

TERMS INVARIABLY
30 DAYS NET.

Aug.	1	To Balance	218	43		
	10	To Merchandise	14	60		
	12	" "	28	30		
	17	" "	146	15		
	25	" "	36	40	443	88
		Cr				
Aug.	15	By Note 30 ds	100			
	15	" Cash	50			
	18	" Mdse	6	80	156	80
		Bal.			287	08

Above find Statement of your account, for which please remit if due, but do not consider this a request for payment of bills not yet matured. Should we not receive a remittance before the _____ we will draw on you for _____

Yours very truly,

GUTHMANN, CARPENTER & TELLING.

Having performed the above labor in the most careful manner, and added the Trial Balance with the most perfect accuracy, it may yet declare an error. In this event, we must examine carefully the balances brought down from the previous month. Perhaps some balance is incorrect, or not brought down, or carried down improperly, causing the disagreement. After a Ledger is closed, the bookkeeper should immediately take a trial of all balances brought down to ascertain whether they are in balance, thus avoiding the liability of any error in this particular. After the trial balance is taken off, go over the Ledger and carefully erase all check-marks.

MONTHLY STATEMENTS

Promptly on the first of each month the merchant sends to each of his debtors a Statement of Account, showing the dates and amounts of purchases during the past month. If bills were rendered to the customer at the time of purchase, then the statement will not contain a detailed list of the articles, but only dates and total amounts of the bills if "*Mdse.*," the same as the form of statement shown herein. In case it is not customary to render bills at the time of sale, the articles and price of each must be enumerated in the Monthly Statement.

Payments made during the month, goods returned or shortages are entered upon the statement below the purchases under the head *Cr.* or *Contra*, and these should correspond with the credit side of the customer's account in the Ledger.

The energetic bookkeeper will have his statements out and mailed to customers promptly on the first of each month. Some houses mail them on the last day of the month so that they will reach customers on the first of the following month. Promptness in presenting statements makes their collection easier, and this is highly important in the conduct of business.

QUESTIONS FOR REVIEW

1. How are Checks, Sight Drafts received, Postal and Express Money Orders entered? 2. When is it proper to balance and rule up personal accounts? 3. What should be the character of the language of a Day Book entry? 4. Why is this book admissible as evidence in a court of justice? 5. How do you abbreviate the entry in the case of purchases and sales? 6. How should entries be made which can not be readily abbreviated? 7. To what book or books are the entries carried from the Cash Book in retail? 8. Wherein does the Cash Book differ from the Cash account in the Ledger? 9. What entries are placed on the Dr. side? 10. What entries are placed on the Cr. side, and how? 11. How should the entry be made in case a Note or Draft is discounted? 12. To what other book besides the Cash Book are the entries from the Day Book transferred? 13. How is the Journal entry made in case of a purchase or sale when only part is paid? 14. What is the object sought in first making the entry as if nothing had been paid, and then entering the payment? 15. If a statement is rendered to a customer, what should it show? 16. As the entries are carried from the Day Book to the Journal or Cash Book, how is such transfer indicated in the Day Book? 17. When the entries in the Journal and Cash Book are posted to the Ledger, what record of such transfer is made? 18. What record does the Cash Book contain? 19. Of how many parts may each entry in the Cash Book be said to consist? 20. What is the first part? 21. What is the second? 22. What is the third part, how should it be expressed, and how written? 23. Where should all explanations in a Cash Book begin? 24. What is the fourth part, and where should it be placed? 25. Where are items found on the Dr. side of the Cash Book posted, and how? 26. Where are the items on the Cr. side of the Cash Book posted, and how? 27. Where are the total receipts posted, and how? 28. Where are the total payments posted, and how? 29. How often is it customary to close the Cash Book where considerable cash is handled? 30. What should the balance of the Cash Book agree with? 31. In closing, where are the total receipts and total payments placed in the Cash Book? 32. How is the balance entered? 33. How is it brought down, and where is it placed?

34. Why? 35. What is the nature of the ruling in the Cash Book? 36. What is the necessity for care in keeping the Cash Book? 37. What is the object of making explanations to entries in the Journal? 38. How should such explanations be written? 39. What does the Journal become if kept in this manner and entries are first made in it? 40. What is the object of keeping a Sales Book in this set? 41. What is entered in the Sales Book? 42. Is the Sales Book in this set a book of original entry? 43. Why? 44. Is it a principal book? 45. Why? 46. What is the object of the Petty Sales column in the Cash Book? 47. Where is the total of this column posted? 48. What is the use of the Cash Discount column in the Cash Book? 49. In how many ways may Cash discounts be entered in business? 50. Give them. 51. How is the entry made where a Cash Discount column is used as in this set? 52. Where is the total of the Cash Discount column posted? 53. Why? 54. Is the total of the Cash Discount column extended into the Sundries column, the same as Merchandise column? 55. Why? 56. What is the general rule in regard to the correction of errors in books of original entry? 57. What is the general rule in regard to the correction of errors in books of subsequent entry? 58. Give the reasons upon which the two foregoing rules are based. 59. Why is it advisable to check the Ledger before attempting to take the Trial Balance?

RETAIL

Adapted to

Grocery Stores, Markets and Shops

DOUBLE ENTRY*

Books Used: Order Book, Cash Book, Journal-Day Book and Retail Ledger

ORDER BOOK

This is a small book of long and narrow proportions, made of cheap material, and known by some dealers as the "Counter Book," into which the orders are entered as they are received. If the goods are paid for at the time they are ordered, the entry is marked "*Paid*" in the margin; otherwise it is posted to the person's account in the Ledger at the close of the day. As the articles are "put up" for delivery, they are checked off in the margin of the Order Book. Where the business is large, several Order Books are necessary in order that the bookkeeper may be accommodated and the Order Books are numbered 1, 2, 3, etc., and used alternately by the bookkeeper and salesmen. Where it is customary for the salesman to visit his customers and receive their orders at their homes, he carries an Order Book with him for the purpose.

This Order Book is a book of original entry for sales of merchandise, and might properly be considered a Sales Book.

Instead of using the Order Book as above described, many houses now use the duplicate order sheet. By means of a carbon, two sheets are made out at the same time—one for the accounting section and the other for the shipping department, which latter is sent to the purchaser with the goods.

If the purchase is for cash and the goods are taken by the customer, a small double ticket is filled out, one going to the cashier with the money and the other remaining as a stub in the ticket book. These tickets are totaled and reported by the sales clerk at the end of the day, thus affording an opportunity to test the accuracy of the cash receipts as reported by the cashier.

DAY BOOK-JOURNAL

This book needs no particular explanation, as its features have already been detailed. All purchases of goods will be entered in this book and such other entries as do not properly belong to the other books.

CASH BOOK

In the retail business cash discounts are received but are not given and as a rule the frequency of entries involving them does not justify a special column in the Cash Book. There are, however, many small payments for expense items and these are best cared for by a special column. The Cash Book in this set is therefore one of two columns on the debit and three on the credit. The special column on the credit is the first one and is for all expenditures for Expense. The footings are to be posted to the debit of Expense account.

*For instructions to write up this set as a Single Entry set, see page 127.

LEDGER

In the retail trade, where a credit business is carried on, unless the "pass book" system is used, it is necessary at stated intervals, usually on the first of each month, to render to customers an itemized statement of the purchases made during the month, with the credits or payments, if any, thereon. In order to do this with facility and avoid having to refer back to the book of original entry (in this case the Order Book) for the items, it is essential that the sales should be itemized in the Ledger; and since the ordinary Ledger affords insufficient space for this purpose, a more suitable one is the one known as the Retail Ledger, one having three columns—two debit and one credit column. By reference to the illustration on page 122 of the Ledger page herein explained, it will be seen how readily a statement of account may be made up without reference to any other book. The folio of the Order Book or Day Book may be entered in the folio column of the Ledger, and the page of the Ledger entered in the Order Book or Day Book, as a convenience in case of reference.

The left-hand column is for debit items; the second for totals, and the right-hand column for credits. Thus, when goods are sold they are charged to the customer by entering them in the first or left-hand column, and the total of the sale is carried to the second column. Goods returned, cash paid, etc., are credited to the customer's account by entering in the right-hand column. When the account balances it is ruled up in the usual manner.

ORDER BOOK

October 2, 19—

	John F. Brooks, 187 Warren Ave.				
✓	1 bbl. W. W. Flour,		6.		
✓	10 lb C. Meal,	.03	.30		
✓	4 gal. M. Molasses,	.75	3.	9	30
	John Baldwin, 360 Center St.				
✓	4 lb Gran. Sugar,	.13	.52		
✓	6 " Raisins,	.23	1.38		
✓	8 " Butter,	.30	2.40	4	30
	Mrs. James W. Haines, 25 Cornell Ave.				
✓	2 pk. Apples,	.45	.90		
✓	2 bu. Potatoes,	.75	1.50		
✓	2 gal. C. Vinegar,	.42	.84		
✓	5 lb C. Fish,	.08	.40	3	64
	S. G. Olmstead, 187 Madison Ave.				
✓	2 lb Butter,	.30	.60		
✓	3 " D. Apples,	.09	.27		
✓	5 " Lard,	.14	.70		
✓	2 doz. Eggs,	.18	.36		
✓	8 lb Cheese,	.25	2.		
✓	2 sk. T. Salt,	.10	.20		
✓	8 lb A. C. Sugar,	.12²	1.		
✓	2 " J. Tea,	.62	1.24		
✓	2 " Soda,	.08	.16	6	53
	October 3, 19—				
	Mrs. G. W. Hughes, 45 Willow St.				
✓	6 lb Butter,	.35	2.10		
✓	½ bu. Onions,	1.50	.75		
✓	4 Cabbages,	.15	.60		
✓	3 lb Honey,	.35	1.05	4	50
	John F. Brooks, 187 Warren Ave.				
✓	¼ bu. Beans,	2.	.50		
✓	¼ " Peas,	3.	.75		
✓	1 qt. Oysters,		.40		
✓	3 lb Prunes,	.10	.30	1	95
	S. G. Olmstead, 187 Madison Ave.				
✓	3 lb O. G. Java Coffee,	.30	.90		
✓	2 doz. Eggs,	.20	.40		
✓	8 lb M. Sugar,	.24	1.92		
✓	2 Chickens, 14 lb,	.20	2.80	6	02

JOHN BALDWIN — **360 Center Street**

19—								19—				
Oct.	2	1 bbl. W. W. Flour,		6				Oct.	5	Cash,	2	10
		10 lb C. Meal, 3¢			30							
		4 gal. M. Molasses, 75¢		3								
		8 lb Butter, 30¢	4	2	40	11	70					

S. G. OLMSTEAD — **187 Madison Ave.**

19—												
Oct.	2	2 lb Butter, 30¢			60							
		3 " D. Apples, 9¢			27							
		5 " Lard, 14¢			70							

To the Student: Write up the records for the following transactions. At first each transaction is followed by a set of letters indicating the books in which the record is to be made.

LEDGER HEADINGS

The following accounts should each have one-third page: (Student), Franklin McVeagh & Co., Jevne & Co., A. H. Revell & Co., James C. Anderson, Andrew Bailey, David Haskell. Give Mdse. two-thirds page.

The following accounts should each have an entire page: John F. Brooks, 187 Warren Ave., John Baldwin, 360 Center St., Mrs. James W. Haines, 25 Cornell Ave., S. G. Olmstead, 187 Madison Ave., Mrs. G. W. Hughes, 45 Willow St., Mrs. Geo. C. Lewis, 317 Fulton St., Mrs. W. N. Jewett, 185 Ohio St., Mrs. H. C. Dement, 164 Taylor St., L. B. Pierce, 243 Hammond St., Mrs. H. W. Simpson, 180 No. Fifth St., Mrs. Henry W. Seymour, 446 Greenwood St.

For the following accounts devote one-fourth page each: Cash, Expense, Fixtures, Horse and Wagon, Bills Payable, Insurance, Cash Discount, Profit and Loss.

TRANSACTIONS

Oct. 1, 19—. I (here enter your name) have this day commenced the retail grocery business with a cash capital of $3000. Enter in C. B. and L.

Oct. 1. Bought the following bills of goods: From Franklin MacVeagh & Co., Chicago, a bill of Groceries amounting to $750; terms, 3% 10 days, 20 days net. D. B.-J. and L. From Jevne & Co., Chicago, a bill of Groceries amounting to $954.60; terms, 2% 10 days, 30 days net. D. B.-J. and L. From A. H. Revell & Co., Chicago, Fixtures for store amounting to $400. D. B.-J. and L. Paid cash $300 to apply on bill of Fixtures. C. B. and L.

Oct. 1. Rented Store from E. B. Stone & Co., agents, for 6 months at $83.33 per month. Gave cash $41.67 for one-half of first month's rent in advance, balance due and payable at end of month. C. B. Bought for cash, Horse, Harness and Wagon, $240. C. B. and L.

Oct. 2. Sales on credit this day are: John F. Brooks, 187 Warren Ave., 1 bbl. W. W. Flour, $6; 10 lb Corn Meal at 3¢; 4 gal. M. Molasses at 75¢. John Baldwin, 360 Center St., 4 lb Gran. Sugar at 13¢; 6 lb Raisins at 23¢; 8 lb Butter at 30¢. Mrs. James W. Haines, 25 Cornell Ave., 2 pk. Apples at 45¢; 2 bu. Potatoes at 75¢; 2 gal. C. Vinegar at 42¢; 5 lb C. Fish at 8¢. S. G. Olmstead, 187 Madison Ave., 2 lb But-

ter at 30¢; 3 lb Dried Apples at 9¢; 5 lb Lard at 14¢; 2 doz. Eggs at 18¢; 8 lb Cheese at 25¢; 2 sacks Table Salt at 10¢; 8 lb A. C. Sugar at 12½¢; 2 lb J. Tea at 62¢; 2 lb Soda at 8¢. O. B. and L.

Cash sales this day per cash drawer, $34.21. C. B.

Oct. 3. Paid Wm. G. Wood, cash for insurance on stock amounting to $1500 at 1½%, $**.**. C. B. and L. Also paid cash for repairing shelves, $8.50. C. B. Dr. Expense.

Bought of Robert Finlay & Co., City, a job lot of Groceries, Canned Goods and Provisions, $314.70. 5% off. Terms, 30 days, or 2½% off for cash. Paid cash in full for same, $***.**. C. B. D. B.-J. (Cr. Cash Dis.) and L.

Sales per order book: Mrs. G. W. Hughes, 45 Willow St., 6 lb Butter at 35¢; ½ bu. Onions at $1.50; 4 Cabbages at 15¢; 3 lb Honey at 35¢. John F. Brooks, 187 Warren Ave., ¼ bu. Beans at $2; ¼ bu. Peas at $3; 1 qt. Oysters at 40¢; 3 lb Prunes at 10¢. S. G. Olmstead, 187 Madison Ave., 3 lb O. G. Java Coffee at 30¢; 2 doz. Eggs at 20¢; 8 lb Maple Sugar at 24¢; 2 Chickens, 14 lb, at 20¢. Mrs. Geo. C. Lewis, 317 Fulton St., 3 lb T. Prunes at 15¢; 2 gal. K. Oil at 18¢; 10 lb Oatmeal at 4¢; 1 box Smyrna Figs, 50¢. O. B. and L.

Cash sales this day per cash drawer, $26.45. C. B.

Oct. 4. Bought of James C. Anderson, 1 ton Prairie Hay, $9; 40 bu. Oats at 35¢. Sold him 10 lb Rice at 10¢; 1 sack P. Flour, $3; 10 lb Mocha Coffee at 25¢; balance on account. D. B.-J., O. B. and L.

Paid cash for freight on new goods received, $7.95. C. B. and L.

I have withdrawn for private use, cash, $10, and appropriated goods from store amounting to $8.60. D. B.-J., C. B. and L.

Oct. 4. Sent Franklin MacVeagh & Co. $350 to apply on account. C. B. and L.

Sales per order book: John Baldwin, 360 Center St., 2 oz. Indigo at 15¢; 1 lb Borax, 60¢; 2 pkg. S. G. Starch at 20¢; 1 box Yeast Powder, 25¢; 4 lb Cheese at 18¢. Mrs. W. N. Jewett, 185 Ohio St., 15 lb A. Coffee Sugar at 12¢; 1 lb Cream Tartar, 60¢; 4 lb Soda Crackers at 10¢; 5 lb Picnic Crackers at 11¢. Mrs. H. C. Dement, 164 Taylor St., 2 lb Chocolate at 37½¢; 1 lb Cocoa, 40¢; 4 doz. Nutmegs at 10¢; 2 lb S. Crackers at 10¢. L. B. Pierce, 243 Hammond St., ¼ lb Cinnamon at 80¢; 2 qt. Oysters at 37½¢; 10 lb S. Potatoes at 5¢; 5 lb Y. H. Tea at 40¢; 10 lb A. Sugar at 10¢. John F. Brooks, 187 Warren Ave., 5 lb J. Coffee at 33¢; 3 lb B. Tea at 80¢; 2 gal. K. Oil at 20¢; 1 Broom, 25¢; 1 doz. Nutmegs, 25¢. O. B. and L.

Oct. 5. John F. Brooks, 187 Warren Ave., has returned 4 lb J. Coffee at 33¢; also paid cash on his account, $5. D. B.-J., C. B. and L.

Cash sales this day per cash drawer, $34.89. C. B.

Oct. 6. Bought of farmers this day: Vegetables, Poultry, etc., amounting to $17.45. Paid them goods from store, $4.20; balance in cash, $13.25. C. B. and L.

Where produce or goods purchased are paid for in Merchandise, make no entry, as the goods bought go to replace those given in payment.

Bought for cash, 1 ton Coal for store, $7.50. C. B. and L.

Sales per order book: Mrs. James W. Haines, 25 Cornell Ave., 2 lb J. Tea at 80¢; 5 lb O. G. Java Coffee at 30¢; 10 lb Lard at 10¢; 1 pk. Cracked Corn, 40¢; 15 lb Turkey at 14¢; 1 bu. E. R. Potatoes, 85¢. Mrs. H. W. Simpson, 180 North Fifth St., 3 pk. Apples at 35¢; 12 lb Rice at 10¢; 2 oz. Indigo at 12¢; 3 lb Chocolate at 35¢; 2 gal. K. Oil at 18¢. Mrs. G. W. Hughes, 45 Willow St., 2 lb Cream Tartar at 45¢; 5 lb Oatmeal at 5¢; 1 Chicken, 6 lb, at 15¢; ¼ bu. S. Potatoes at $3; 2 gal. N. O. Molasses

at 60¢. Mrs. Henry W. Seymour, 446 Greenwood St., 4 lb Butter at 30¢; 2 Cabbages at 20¢; 8 lb Honey at 45¢: 20 lb Maple Sugar at 25¢. O. B. and L.

Sent Franklin MacVeagh & Co. our check for balance of account. Deduct the cash discount on entire bill and remit the balance. D. B.-J. (credit Cash Discount account), C. B. and L.

Credited David Haskell for Drayage on goods, $1.75. D. B.-J. and L.

Paid C. H. Wilson, clerk, cash for wages for the week, $10; also David A. Brown, clerk, salary to date, $9. C. B.

Cash received from sales per cash drawer, $42.60. John F. Brooks has settled his account in full with cash, $*.**. C. B. and L.

Rule and foot up Brooks' account at once.
Close the Cash Book, the balance of which should be $1463.67.

Oct. 8. Bought of Andrew Bailey, on account, 3 Chairs for store at 75¢. D. B.-J. and L.

Received invoice of Groceries from Gray, Kingman & Collins, $193.60; terms, 10 days or 2% off for cash. Paid cash for same.

Paid cash for Shoeing Horse, $2.50.

Received cash from S. G. Olmstead on account, $10; from John Baldwin, $6.

Oct. 9. Bought of Mrs. Cosgrove, 18 lb C. Butter at 25¢, $4.50. Paid for same in cash from cash drawer.

Make no entry. The cash in the cash drawer has not yet been entered upon the Cash Book, and hence no entry is necessary. The merchandise bought goes to replace that which was sold, for which the cash was received.

Cash sales for the day per cash drawer, $52.80.

Oct. 10. Andrew Bailey has repaired Show Cases, for which I credit him $3.75. Drew for private use, cash, $8; appropriated goods, $7.50.

Sales per order book: John F. Brooks, 187 Warren Ave., 3 doz. Eggs at 22¢; 2 qt. Oysters at 30¢; 1 Lem. Ext., 25¢; 10 lb B. Sugar at 9¢; 4 lb Raisins at 15¢. Mrs. Geo. C. Lewis, 317 Fulton St., 10 lb A. Sugar at 12½¢; 5 lb Soda Crackers at 9¢; 5 lb C. Fish at 11¢; 2 lb Y. H. Tea at 40¢. Mrs. W. N. Jewett, 185 Ohio St., 1 bbl. Apples, $3; 2 Brooms at 25¢; 1 W. Tub, $1.20; 1 box Pepper, 20¢; 4 lb Lard at 10¢. Mrs. H. C. Dement, 164 Taylor St., 1 bag Salt, 10¢; 2 cans Pears at 40¢; 10 lb Chicken at 16¢; 2 doz. Eggs at 25¢; 3 bars P. & G. Soap at 10¢.

Cash sales per cash drawer, $38.50.

The following amounts were paid on account this day: Mrs. James W. Haines, $8; Mrs. G. W. Hughes, $5.

Oct. 11. Cash sales for this day, $41.30.

Settled with Jevne & Co., taking advantage of cash discount.

Oct. 12. Bought invoice of oil from Standard Oil Co., $176.40. Gave my note for same due in 30 days.

Oct. 13. Bought a Horse for use of store, $110; also Harness, $20. Paid for same in cash. Paid clerks in full for salaries to date, $19.

Cash balance, $340.53.

Oct. 15. Bought of farmers, 1 bbl. Sweet Cider, Fruit, Poultry, etc., amounting to $39.80. Gave in payment goods amounting to $11.75; cash for balance, $**.**.

Sales per order book: L. B. Pierce, 243 Hammond St., 5 lb C. Fish at 9¢; 10 lb Mackerel at 7¢; 3 lb Raisins at 15¢; 2 W. Pails at 30¢. Andrew Bailey, ⅛ bbl. Flour, 75¢; 10 lb B. Sugar at 12¢; 1 Basket, 25¢; 1 pk. Onions, 40¢; 2 bu. Potatoes at 80¢.

Mrs. H. W. Simpson, 180 North Fifth St., 1 pk. S. Potatoes, 50¢; 3 doz. Eggs at 20¢; 2 lb Jap. Tea at 65¢; 8 lb G. Sugar at 11¢; 1 Lem. Ext., 30¢. Mrs. Henry W. Seymour, 446 Greenwood St., 2 Brooms at 30¢; 3 bu. Potatoes at 80¢; 5½ lb Chicken at 16¢; 4 lb Crackers at 10¢; 2 pk. Apples at 50¢.

Cash sales, $39.60.

Payments on account: Mrs. H. C. Dement, $5.05; Mrs. George C. Lewis, $3; Mrs. W. N. Jewett, $4. Mrs. James W. Haines returns 9 lb Lard at 10¢.

Oct. 16. Drew for private use, cash, $12, and appropriated $4 in goods.

Paid cash for Repairs in Cellar, $3.50; Varnishing Counters, $1.75 (Dr. Expense for both items); New Pair Scales, $8.50 (Dr. Fixtures).

Cash sales, $47.85.

Oct. 17. Paid cash for Envelopes, Bill Heads and Letter Heads, $8.50; Postage Stamps, $2.

Sales per order book: James C. Anderson, 10 lb B. Sugar at 9½¢; 3 doz. Eggs at 20¢: 2 W. Tubs at 80¢; 1 bbl. Apples, $2.50. Mrs. Geo. C. Lewis, 317 Fulton St., 2 lb Rio Coffee at 28¢; 1 bbl. W. W. Flour, $5.25; 2 bu. E. R. Potatoes at 80¢; 5 lb Chicken at 12¢; 3 qt. Oysters at 30¢; 2 lb Soda Crackers at 11¢. Mrs. H. C. Dement, 164 Taylor St., 6 lb. Mackerel at 8¢; 3 qt. Oysters at 32¢; 1 bbl. Apples, $2.50; 3 lb Raisins at 15¢; 4 bu. Potatoes at 60¢; 2 lb Java Coffee at 36¢; 1 box Kirk's Soap, $3.85; 2 cans Sardines at 18¢. Mrs. W. N. Jewett, 185 Ohio St., 2 Brooms at 28¢; 2 doz. Eggs at 25¢; 10 lb G. Sugar at 10½¢: 3 gal. K. Oil at 18¢; 5 lb C. Fish at 8¢; 4 lb Soda Crackers at 9¢; 4 bu. Potatoes at 75¢; 3 lb Raisins at 15¢; 2 lb Jap. Tea at 50¢; 2 cans Peas at 30¢; 1 lb Chocolate, 35¢. Mrs. G. W. Hughes, 45 Willow St., 1 bbl. Apples, $3; 10 bars P. & G. Soap at 8¢; 2 qt. Oysters at 40¢; 3 doz. Eggs at 25¢; 2 lb Butter at 30¢; 3 gal. S. D. Syrup at 70¢; 1 W. Pail, 30¢; 1 Basket, 25¢; 1 box Pepper, 20¢.

Cash sales per cash drawer, $45.80.

Oct. 18. Bought of Thomas Mason & Co., on my note at 30 days, invoice of goods amounting to $218.

Bought of farmer, Produce, consisting of Butter, Eggs, Lard, etc., amounting to $18.60. Paid him goods amounting to $4.50; cash from the cash drawer, $4.10; cash from the safe, $10.

Cash in safe or cash deposited in the bank differs from cash in the cash drawer, as the former has been entered in our Cash Book, while the latter has not.

Oct. 19. Cash sales for the day per cash drawer, $45.60.

Oct. 20. Paid cash for Clerk hire to date, $19. Withdrew cash for private use, $10; also appropriated goods amounting to $8.40.

Cash sales for the day, as shown by the cash drawer, $46.40, of which I find a $2 bill to be counterfeit.

Balance of cash, $472.53.

Oct. 22. Order book: John F. Brooks, 187 Warren Ave., 2 pk. S. Potatoes at 50¢; 2 bags T. Salt, at 25¢; 5 lb T. Raisins at 13¢; 1 bbl. Apples, $2.50; 1 lb Jap. Tea, 50¢; 1 Lem. Ext., 30¢; 1 box P. &. G. Soap, $3.85. James C. Anderson, 2 qt. Oysters at 40¢; 8 lb C. Fish at 9¢; 2 bu. Potatoes at 80¢; 6 lb Soda Crackers at 12¢; 2 gal. K. Oil at 18¢; 8 lb B. Sugar at 9¢. S. G. Olmstead, 187 Madison Ave., 10 lb G. Sugar at 12¢; 5 gal. K. Oil at 18¢; 4 lb C. Fish at 8¢; 6 lb S. Crackers at 10¢; 3 lb T. Raisins at 12¢; 2 bu. Potatoes at 80¢; 1 bbl. Flour, $5.50. Mrs. James W. Haines, 25

Cornell Ave., 8 lb Mackerel at 9¢; 2 W. Pails at 25¢; 8 lb Chicken at 12¢; 10 lb G. Sugar at 11¢; 2 Brooms at 20¢; 3 doz. Eggs at 15¢; 3 lb Butter at 25¢. David Haskell, 2 lb Butter at 28¢; 5 lb C. Sugar at 8¢; 2 doz. Eggs at 18¢; 1 gal. K. Oil, 18¢.

Received invoice of Sugar, Coffee, Tea and Canned Goods from Franklin MacVeagh & Co., Chicago, $187.50. Terms, 30 days, or 5% off 10 days. Paid freight and drayage on same in cash, $11.30.

Oct. 23. Received the following payments on account: Mrs. W. N. Jewett, $10; L. B. Pierce, $5; John F. Brooks, $5. Mrs. James W. Haines returns 3 doz. Eggs at 15¢, and settles her account in full by paying cash, $*.**.

Oct. 24. Paid cash for advertising in the *Evening Star*, $8.50.

Paid cash to Carpenter for repairing and putting up additional shelving, $4.60; Lumber for same, $1.80. Dr. Expense.

Oct. 25. On examining the goods received from Franklin MacVeagh & Co., Chicago, I find a shortage of 10 gross Matches at $2.70, which I charge to their account.

Oct. 26. Paid cash for new Harness, $27.50.

Cash sales per cash drawer, $32.80.

Oct. 27. Order book: John Baldwin, 360 Center St., 3 doz. Eggs at 18¢; 3 qt. Oysters at 30¢; 8 lb. P. Crackers at 10¢; 2 pk. S. Potatoes at 60¢; 2 Brooms at 20¢; 3 bu. Potatoes at 80¢; 8 lb Turkey at 15c; 2 gal. Cider at 40¢; 3 lb J. Coffee at 30¢. Mrs. Henry W. Seymour, 446 Greenwood St., 10 lb B. Sugar at 9¢; 5 bu. Potatoes at 80¢; 6 lb Raisins at 13¢; 2 lb Y. H. Tea at 39¢; 10 lbs. A. C. Sugar at 9½¢; 2 gal. N.O. Molasses at 60¢; 2 F. Dusters at $1.30; 1 Mouse Trap, 50¢. L. B. Pierce, 243 Hammond St., 3 doz. Eggs at 20¢; 10 lb Gran. Sugar at 10½¢; 5 lb S. Crackers at 9¢; 2 lb Java Coffee at 35¢; 2 gal. N. O. Molasses at 60¢; ½ bbl. Apples at $3.60; 2 boxes Washing Crystal at 15¢; 3 L. Wicks at 2¢; 2 bottles Bluing at 5¢. Mrs. H. W. Simpson, 180 North Fifth St., 10 lb B. Sugar at 9¢; 5 bu. Potatoes at 80¢; 8 lb Butter at 25¢; 8 lb A. C. Sugar at 9½¢; 2 lb Jap. Tea at 40¢; 8 lb Turkey at 18¢; 2 gal. K. Oil at 18¢; 3 lb Mackerel at 8¢; 2 Brooms at 25¢.

Cash sales per cash drawer, $29.60.

Drew cash for private use, $12, and appropriated goods from stock, $8.60.

Paid Clerks for services to date in full, $19.

Payments on account have been made by Mr. H. W. Simpson, $5; Mrs. Geo. C. Lewis, $5.

Cash balance per Cash Book, $486.85

Oct. 29. Order book: John Baldwin, 360 Center St., 2 lb Mixed Nuts at 20¢; 1 box C. Figs, 25¢; 2 doz. Lemons at 25¢; 2 cans Peaches at 30¢; 8 lb Raisins at 10¢; 3 doz. Eggs at 18¢; 2 boxes Sardines at 18¢. David Haskell, 1 bu. Turnips, 85¢; 2 Cabbages at 25¢; 1 lb J. Coffee, 25¢; 1 can C. Milk, 75¢; 5 lb D. Peaches at 40¢. Mrs. H. C. Dement, 164 Taylor St., 3 lb C. Fish at 10¢; 1 Lem. Ext., 25¢; 10 lb B. W. Flour at 5¢; 5 lb D. Beef at 20¢; 1 W. Pail, 25¢; 2 F. Dusters at $1.25. Mrs. Henry W. Seymour, 446 Greenwood St., 8 lb Chicken at 10¢; 5 lb B. Sugar at 9¢; 1 cake Chocolate, 1 lb, 25¢; 2 qt. Oysters at 30¢; 5 lb S. Crackers at 8¢; 1 Broom, 30¢; 1 lb Jap. Tea, 50¢; 1 bbl. W. W. Flour, $6.

Cash sales per cash drawer, $49.10.

Oct. 30. Paid Franklin MacVeagh & Co., Chicago, cash for balance of invoice,

less 5% discount. Balance of invoice, $***.**; cash discount, 5%, $*.*3. Paid them $***.**.

Cash sales per cash drawer, $38 60.

Paid cash for Postage Stamps, $2.50.

Oct. 31. Bought for cash a Coal Hod and Shovel for use of store, $1.30; a Whip, 40¢, and paid for Shoeing Horses, $2.50.

Order book: Mrs. Henry W. Seymour, 446 Greenwood St., 1 bbl. W. W. Flour, $5.25; 2 bbl. Apples at $2.75; 1 bu. Turnips, $1.25; 1 box Kirk's Soap, $4.10; 2 can Tomatoes at 15¢; 1 bu. Onions, 75¢. L. B. Pierce, 243 Hammond St., 6 lb Chicken at 10¢; 5 lb G. Sugar at 10½¢; 1 Lem. Extract, 25¢; 2 doz. Oranges at 25¢; 1 box C. Figs, 25¢. Mrs. Geo. C. Lewis, 317 Fulton St., 2 pk. S. Potatoes at 50¢; 2 qt. Oysters at 30¢; 10 lb Rice at 5¢; 2 lb Java Coffee at 20¢; 8 lb S. Crackers at 9¢; 6 lb Mackerel at 8½¢.

Payments on account: Mrs. Henry W. Seymour, $20; L. B. Pierce, $5; David Haskell, $4.10.

Take trial balance, showing differences only; that is, an account shows a debit balance or a credit balance, but not both. Compare with following

RESULTS

Cash on hand per Cash Book	$444.48
Personal Accounts owing me	127.56
Personal Accounts I owe	107.73
Bills Payable outstanding	394.40

Make out a statement and close the Ledger.

INVENTORIES

Merchandise	$2344.35
Store Fixtures	375.00
Horse and Wagon	360.00
One-half Month's Rent owing	41.66
After closing	
(Student's) Net Capital	3107.60

SINGLE ENTRY

On account of its simplicity, Single Entry bookkeeping is commonly used by small tradesmen and retailers. Its object is to keep accounts with persons with whom we have dealings in such a manner as to readily show what they owe us, or we owe them, and hence only personal accounts are opened in the Ledger. The distinguishing feature between Single and Double Entry consists in the fact that in the former each transaction does not always produce both a debit and a credit of equal amount in the Ledger, while in the latter it does. Hence in single entry we can not make use of that valuable test, the Trial Balance, nor can we obtain from our books sufficient facts to make up that important statement, the Balance Sheet.

In order to fully appreciate the advantages and disadvantages of the two systems of bookkeeping, Single and Double Entry, it is proposed that the Retail set just completed be now written up according to the methods used in single entry.

Books to be used: Day Book, Cash Book, Order Book and Ledger

ORDER BOOK

The same form as used in double entry—in fact, the same book already written up—may be used. The folio checking pages may be written just above the folio checking of the first set.

DAY BOOK

The single entry Day Book differs in no important respect from that used in double entry, the chief distinction being in the use of Dr. and Cr., to indicate whether a person is to be charged or credited. All transactions in which personal accounts are not involved may, or may not, be entered in this book, according to discretion. In the following set such transactions are *not* entered in the Day Book. Entries in this book are posted directly to the Ledger. See form.

CASH BOOK

is the same as used in double entry, but is kept only as an auxiliary book, and is not posted from, its object being to keep convenient account of the cash received and paid out, and the balance on hand.

DAY BOOK

19							
Oct.	1		(Student) Cr.				
			Cash invested in business			3000	
	1		Franklin MacVeagh, Chicago Cr.				
			Mdse., terms 3 % 10 da., net 20 da.			750	
	4		James C. Anderson Cr.				
			1 ton Prairie Hay		9		
			40 bu. Oats	35c	14	23	

LEDGER

(.....STUDENT .....)

				Dr.		Cr.	
19—							
Oct.	1		Cash investment			3000	

FRANKLIN MACVEAGH — Chicago, Ill.

				Dr.		Cr.	
19—							
Oct.	1		Mdse., terms 3% 10 da., net 20 da.			750	

JOHN F. BROOKS — 187 Warren Ave.

				Dr.		Cr.	
19 —							
Oct.	2		1 bbl. W. W. Flour [6] 10 lb C. Meal .03 [.30]				
			4 gal. Molasses .75 [3]		9	30	
	3		¼ bu. Beans 2. [.50] ¼ bu. Peas 3. [.75] 1 qt.				
			Oysters [.40] 3 lb Prunes 10 [.30]		1	95	
	4		5 lb. Coffee .33 [1.65] 3 lb B. Tea .80 [2.40] 2 gal.				
			K. Oil .20 [.40] 1 Broom [.25] Nutmegs [.25]		4	95	
	5		4 lb Coffee returned .33			1	32
			Cash			5	
	6		Cash			9	88
					16	20	16	20

LEDGER HEADINGS

In single entry, accounts in the Ledger will be opened only with personal accounts. Other accounts are at times kept, but it is an exception to do so. You will find the personal accounts named on page 122.

Write up the transactions for October, using the books already described. All debits and credits of personal accounts, with the exception of the orders, must be entered in the Day Book and posted to the Ledger. All entries in the Order Book are carried to the debit side of personal accounts in the Ledger and do not appear in the Day Book. When the records are complete, close the Ledger and make out a statement of resources and liabilities. The present worth of the proprietor must agree with the net capital at closing, as previously shown by double entry.

HOW GAINS OR LOSSES ARE PRODUCED

There are two methods of creating gains and two methods of creating losses in a business. At the commencement of a period for which the gains or losses are to be determined there are certain resources and certain liabilities. The exchanging of one commodity for another is a shifting from one kind of resource to another. Thus, we may buy merchandise for which we give currency. The resource, merchandise, has been increased and cash resource has been reduced. We may now be able to dispose of this merchandise for more than it cost us and to receive therefor cash. By this exchange our resources have been increased, while our liabilities have remained the same. Again, our books may show that we owe Brown $100 on a note due in one year without interest. He accepts $90 cash for the note. Our liabilities have decreased $100 while our resources have decreased only $90. The result is a gain of the difference, $10.

Gains therefore are produced by increasing the resources or by decreasing the liabilities.

Losses are produced by increasing the liabilities or by decreasing the resources.

TWO METHODS OF ASCERTAINING GAINS OR LOSSES

There are also two methods of determining the gains or losses in a business for a given period. One is after eliminating any withdrawals of capital to compare the net capital at the commencement of the period with the net capital at the end of the period. This is the method that must be used when the books are kept by single entry.

The other method is to find the difference between the cost and product sides of each account that produces a gain or a loss and when these are assembled to determine the total gain or loss. This is the method you have used in the preceding set. You should understand both methods, which should always give the same results.

Find in both ways from the following statements whether Arthur Lyons, merchant, is prospering or not. At the beginning of the year his statement stood: Mdse. on hand $2467.50, Cash on hand $495.75, Notes Receivable $634, Personal accounts due him $1567.10, Notes Payable $1100, Personal accounts he owed $157.50. At the end of the year his stock of merchandise inventoried $2674.30 and his Ledger showed the following: Cash on hand, $912.75, Mdse. Dr. $7684, Mdse. Cr. $11756.15, Expense $3188.60, Interest Dr. $115.60, Interest Cr. $4.25, Notes Receivable $846.30, Notes Payable $165, Personal accounts due him $563.25, Personal accounts owing $262.75, withdrawn for private use $316. Make a statement for each method.

TO CHANGE FROM SINGLE TO DOUBLE ENTRY

As has been previously stated, property accounts do not usually appear on a Single Entry Ledger. Aside from accounts with persons the various resources and liabilities and the amount of each must be ascertained by taking an inventory. A statement should first be made showing the resources and then the liabilities. The difference between these is the net capital or the net insolvency. Accounts must now be opened in the Ledger with each resource and each liability not already on the Ledger, debiting the resource and crediting the liability in each case for the amount shown by the statement. The personal accounts being already on the Ledger will not of course be re-entered. If the proprietor's account is already on the Ledger it will now be only necessary to credit it with any gain or debit it for any loss. If this account is *not* already on the Ledger it must be opened and credited with the net capital at the time of making the change. A trial balance should now be taken to prove the equilibrium of the Ledger.

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